EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,805 | Thursday March 30 1989 | D 8523A

CHINA
Economic ills put paid to liberalism
Page 18

World News

Turkish MP shot dead in Ankara parliament

An opposition Turkish MP was shot dead in the country's parliament building in an incident that could intensify the difficulties facing Mr Turgut Ozal, the Prime Minister, following local election defeats.

According to witnesses Mr *Abdurrezak Ceylan*, a member of the centre-right True Path Party, was shot trying to separate *two* other MPs involved in an altercation. Both deny firing the shot. Page 18

Mosque killings
Two officials at Belgium's largest mosque were shot dead after one of them received threats related to British author Salman Rushdie's novel The Satanic Verses.

Eta peace threat
Spanish Police and Civil Guards were put on maximum alert after Eta, Basque terrorist organisation, threatened to break its three-month-old ceasefire. Page 2

Beirut truce
A fragile truce took hold in Beirut after a fortnight in which the Lebanese capital has witnessed some of the heaviest shelling in its nearly 14 years of intermittent civil war.

Prague hijack
Two gunmen hijacked a Hungarian airliner in Prague, spraying the VIP lounge with bullets, before flying to Frankfurt where they surrendered to West German police shortly after landing.

Bogota border talks
Colombia and Venezuela have launched an attempt to tackle a long-standing border dispute. Page 3

Tokyo FSX pressure
Members of the defence policy committee of Japan's ruling Liberal Democratic Party expressed strong displeasure over US reservations about the bilateral agreement to develop Japan's next fighter aircraft, known as the FSX. Page 4

Seoul reshuffle
A major cabinet reshuffle is likely to follow the military personnel changes announced by South Korean President Roh Tae Woo. Page 4

Contra funds halved
The Bush administration is halving funding for the Nicaraguan Contra rebel political operation in exile in the US. Page 3

Costa Rica summit
Important advances in the Central American peace plan are expected from a *summit today* and tomorrow in San Jose, Costa Rica. Page 3

Chess defections
Soviet Union's leading young chess player Gata Kamsky, 14, and his father, Rustam, *defected to the* US in New York saying Moscow was holding Kamsky back from becoming world champion.

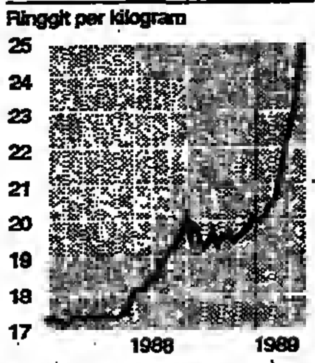
FINANCIAL TIMES
The Financial Times has moved. Our address is: Number One, Southwark Bridge, London SE1 9HL.
Our telephone number is 01-873-3000.
Editorial fax numbers are 01-407-5700, 01-873-3076 and, for Company News, 01-873-3074. The Telex number is 922186.

Business Summary

US buy-out specialists warned of risks

A WARNING that US securities houses may be putting too much at risk in financing leveraged buy-outs has come from Moody's Investors Service, US credit ratings agency. The agency review confirms its suspicions that American-style merchant banking activities "represent significant new risks to securities firms' creditors". Page 18

TIN: Further all-round buying saw the Kuala Lumpur Tin Market (KLTM) price rally 21 cents to a three-year high of 24.82 ringgit a kg in continued scattered trading. Buyers opened bids for 401 tonnes, and bids and offers were finally matched at 139 tonnes. Commodities, Page 30

Malaysian tin price
Ringgit per kilogram


MINORCO, South African-controlled investment group has offered to post a $100m bond with a New York court as part of its attempts to have removed an injunction which prevents it buying any more shares in Consolidated Gold Fields. Page 19

VOLVO, Swedish motor, foods and energy group, plans to move into the international property business through the creation of an investment company in partnership with several leading Swedish pension funds and insurance companies. Page 19

US Index of Leading Indicators, the Government's main barometer of future economic trends, fell 0.3 per cent in February after a 0.7 per cent rise in January. Page 3

MERCK and Johnson & Johnson, two giants of the world's health care industry, are forming a joint venture to create and sell consumer medicines in the US. Page 32

US Government regulators forcibly took control of most of the banks belonging to MCorp, biggest independent bank holding company in Texas. Page 19

SECURITIES and Investments Board, umbrella regulatory body in the UK financial markets, will announce fee increases which will push up the costs of regulation for many investment businesses. Page 9

AUSTRIAN economy did much better last year than had been expected, with total output growing at around 4 per cent and inflation declining below 2 per cent. Page 2

ASCOM, Swiss telecommunications group, said it planned to raise its 1988 dividend by 2 percentage points to 14 per cent and to offer shareholders a 1-for-4 rights issue. Page 20

PDVSA, Venezuela's national oil company, saw net profits decline last year, primarily because of lower oil prices, reporting a net profit of $1.02bn for 1988 on sales of $9.5bn, down from $1.42bn in 1987. Page 22

IBM Japan, wholly owned subsidiary of International Business Machines of the US, showed pre-tax profits which jumped 36.1 per cent to Y203bn ($1.52bn) last year, thanks to strong sales growth and extensive cost-cutting measures. Page 21

Kremlin ready to break silence over election results

By Quentin Peel in Moscow

MR Mikhail Gorbachev yesterday summoned the leading editors of the Soviet press to the Kremlin, after three days of virtual silence from the Communist Party about the defeat of dozens of top party officials in last Sunday's elections.

The results have been met with an almost eerie silence in the official Party and Government newspapers, which have recorded a selection of the results, but buried all references to the nationwide backlash against the ruling Party stalwarts.

The absence of comment, above all on the sweeping victory in Moscow of Mr Boris Yeltsin, the most prominent Communist Party rebel, has been in stark contrast to the normal wordy editorialising of the national newspapers. It suggests considerable confusion in the Kremlin about how to handle the outcome.

Now a major statement from the Party leadership can be expected today, after Mr Gorbachev, flanked by both Mr Yegor Ligachev, his conservative number two, and Mr Vadim Medvedev, his ideology chief, meet the media executives.

The urgent meeting came as new evidence emerged of continuing nationalist disturbances in the republics of Georgia and Moldavia in the immediate aftermath of the election, another factor likely to worry the party leadership.

Yesterday an extraordinary meeting of tha Georgian Supreme Soviet - the republican Parliament - was held to replace both the republic's President, Mr Pavel Gilashvili, and the Prime Minister, Mr Otar Cherkeziya.

The apparent reason behind their dismissal was not defeat in the elections, but an upsurge of national tension in the republic between the Georgian population and the Azeri minority living in the province of Abkhadze.

A string of demonstrations have been held in recent days, culminating in one outside the Supreme Soviet in Tbilisi yesterday.

Pravda also reported that 20,000 people had demonstrated on the streets of Moldavia on Monday. The Soviet leadership has sent a special investigator there, the newspaper reported, to investigate racial tension.

The big demonstration came as the poll result in Moldavia announced big victories for most of the party leadership, except for the first secretary of Kishinev, the capital.

Another leading figure said to have been elected by a 90 per cent poll was Marshal Sergei Akhromeyev, the former Soviet Chief of Staff.

Mr Gorbachev's statement to the editors has, therefore, to reconcile the need to calm the party faithful after a clear rebuff for their local leaders at the poll, and somehow yet seek to accommodate the upsurge in demands for greater decentralisation and local autonomy.

Battle over price changes, Page 2

Thatcher will discuss southern Africa peace effort with Gorbachev

By Michael Holman, Africa Editor, in Harare

MRS Margaret Thatcher, the British Prime Minister, last night signalled her support for co-ordinated efforts by Western powers and the Soviet Union to resolve the problems of southern Africa.

In the keynote address of her African tour, Mrs Thatcher told a banquet in her honour hosted by President Robert Mugabe of Zimbabwe that the Namibia settlement, developments within South Africa and the constructive role of the Soviet Union held out "greater hope for peace and stability in the region."

Speaking after a conference with Mr Mugabe and President Joaquim Chissano of Mozambique, at a site on the countries' joint border, Mrs Thatcher added: "We must make use of these new opportunities."

She said southern Africa's problems would be "high on the agenda for my discussions with President Gorbachev in London next week."

Mrs Thatcher praised the Soviet Union for its role in the Namibia negotiations and welcomed what she called "the greater realism" of its recent statements about the region.

Over the past few months Moscow has been stressing the need for a negotiated settlement in South Africa and appears to be nudging the African National Congress away from a military confrontation with Pretoria.

Striking an upbeat, almost exhortatory note, Mrs Thatcher declared: "A new mind, a new heart and a new spirit... is what we now need in southern Africa as a whole. I believe great changes for the better are within our ability to bring about."

It seems unlikely that, at this stage at least, Mrs Thatcher envisages a specific British or super-power initiative. Rather, she believes that the time is right for the major powers to pool their resources and encourage renewed efforts to end the civil war in Angola, resolve the conflict in Mozambique between government forces and Renamo rebels, and encourage faster change in South Africa.

"It is for the countries of the region themselves to take the lead," she said. But in the case of Mozambique, Mrs Thatcher held out the possibility of British mediation: "We are ready to take part in any political initiative which has the support of Mozambique and the other countries of the region."

The prospect of a negotiated end to Mozambique's conflict with Renamo, who Mrs Thatcher yesterday denounced as "terrorists," was raised during her bilateral talks with President Chissano on the border.

Mrs Thatcher did not hold out the prospect of a specific initiative over South Africa. But she made clear that she was determined to increase contacts with Pretoria. "It is not through South Africa's isolation or through sanctions that we will achieve what we most want to see: the release of Nelson Mandela, the suspension of violence, and the opening of negotiations about a political future in which black people have their rightful role in government."

These objectives required "constant encouragement and persuasion," she added.

Aside from praising the US for its "remarkable role" in the Namibia negotiations, Mrs Thatcher made no reference to the US and southern Africa. However, her approach is almost certain to have President George Bush's endorsement.

In a two-hour private session earlier in the day with Mr Mugabe, Mrs Thatcher attempted to allay the President's fears that South Africa would subvert the seven-month transition to independence elections in Namibia, which gets under way on Saturday.

She also urged on Mr Mugabe the need for a new private investment code in Zimbabwe, and spoke of the benefits of IMF and World Bank structural adjustment programmes in Africa – an issue she also raised last night.

Mrs Thatcher leaves for Malawi tonight on the next stage of her six-day tour which has so far taken her to Morocco, Nigeria and Zimbabwe.

Malawi's needs, Page 4

Protesters seek help from UK and US

Six former detainees yesterday sought asylum in the British Embassay in Pretoria, the South African capital, to protest against restrictions placed on them after they had been released from custory. Another man, held without trail since September and on hunger strike, escaped from a Durban hospital and took refuge in the US Consulate in Johannesburg. Four other detainees on hunger strike recently were officially freed after escaping and taking refuge in the West Germany Embassy in Pretoria. Page 4

Kosovo calm after curfew is imposed

By Judy Dempsey in Prishtina, Kosovo

YUGOSLAVIA'S federal authorities, in their determination to stage a show of force, yesterday regained control of the southern province of Kosovo after two days of fierce clashes between ethnic Albanians and the police, in which 21 people died.

However, witnesses of Tuesday's riots claim that the casualty figure could be much higher because many youths were badly beaten by the police, who also fired automatic weapons into the crowd.

Local people say that angry ethnic Albanians, many of them teenagers, threw stones at the police and that some demonstrators were armed.

The wave of unrest, the worst since nationalist riots swept the province in 1981, was provoked by recent changes to the constitution of the republic of Serbia by Mr Slobodan Milosevic, the powerful Serbian leader. The amendments give Serbia much greater say in the running of Kosovo's internal affairs.

Officials say that 146 people were injured in the recent clashes, and unconfirmed reports claim that 48 ethnic Albanians have been arrested.

Yesterday, for the first time in many days, the province was calm.

Continued on Page 18

French, UK advertising agencies in bid battle

By Nikki Tait in London

A £103m ($173m) hostile bid battle broke out yesterday between Boulet Dru Dupey Petit, France's fifth largest advertising agency group, and Boase Massimi Pollitt, the larger UK advertising and marketing services company.

It is only the second contested bid the advertising agency sector has seen – the previous instance being WPP's ultimately successful assault on the New York-based JWT Group in 1987. The advertising world has tended to avoid hostile bids because of the serious threat to the business posed by the potential loss of staff.

BDDP first indicated it might bid for BMP three weeks ago but said then it was seeking a recommendation from the BMP board for shareholders to accept.

It is offering 300p a share in cash, immediately dismissed by BMP as "unwelcome, derisory and wholly unacceptable."

Mr Jean-Claude Boulet, BDDP chief executive, said yesterday there had been some surprise at the hostile action. Mr Martin Boase, BMP chairman, said the entire board was hostile to the offer.

BDDP and BMP have held unsuccessful discussions about a link-up in the past, although BMP maintains that it envisaged being the dominant partner.

BDDP, which is privately-owned, was founded five years ago, employs about 1,000 people and has three Paris-based agencies, nine regional French agencies, 16 specialist companies, with additional agencies in five other European countries including the UK. Pre-tax profits in 1987 were FF35.6m ($5.5m).

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UK interest rates unchanged despite poor trade figures

By Simon Holberton, Economics Staff

THE UK Government's interest rate policy survived unchanged yesterday despite trade figures for February which showed the third worst deficit for any month on record.

The Department of Trade and Industry put the UK's seasonally adjusted figures at a deficit of £2.2bn for the month. After allowing for an estimated £500m surplus to trade in services and other so-called invisible items, it put the current account deficit at £1.7bn.

London's financial markets judged the figures to be insufficiently bad to force Mr Nigel Lawson, the Chancellor of the Exchequer, to raise bank base lending rates, but also too poor to permit him to lower them.

The current account deficit disappointed analysts, exceeding expectations by £300m. Some have revised upwards their estimates for the full-year current account from a deficit of around the £14.5bn forecast by the Treasury in the budget earlier this month to one of £18bn or more.

Financial markets recovered from an initial negative reaction to the figures. Equity prices closed higher on the day after the market had decided that interest rates were not set to rise. The pound was steady.

Sterling, however, was largely sidelined on the foreign exchanges. Traders continued to focus on the dollar, which again forced the leading European and North American central banks to intervene to stem the US currency's rise.

The pound is seen as the key to the future course of UK interest rates. Mr Lawson has made a firm currency synonymous with the Government's fight against inflation and a rise in interest rates is expected if the pound's value shows any significant signs of weakening.

Britain's trade figures showed that it imported less than in January, but exports also fell: they were about £550m down while imports dropped by around £400m on the previous month.

For the first time since May 1980 the UK recorded a deficit in its oil trade. This amounted to £18m and was attributed to the cumulative effects on North Sea oil production of last July's Piper Alpha disaster and the more recent problems with the Brent and Fulmar fields.

Comparing the latest three month period with the previous three months, the volume of exports and imports both rose 3½ per cent, excluding oil and erratic items. A comparison of volumes in the latest three month period with levels a year ago shows that exports were 9½ per cent higher and imports 16 per cent up.

Mr Peter Spencer, economist at Shearson Lehman Hutton, said: "These figures are really

Lex, Page 18.
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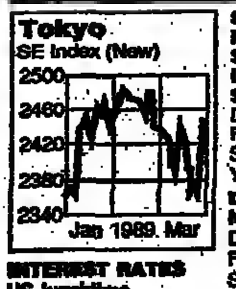
MARKETS

Tokyo
SE Index (New)


INTEREST RATES
US lunchtime
Federal Funds 9⅞% (same)
3-mth Treasury Bills: yield: 9.33% (9.412)
Long Bond: 98 15/32 (98 ?/32)
yield: 9.17% (9.188)
London
3-month Interbank: close 13% (same)

STERLING
New York lunchtime
$1.6875 (1.6865)
London:
$1.6905 (1.6705)
DM3.1975 (3.2000)
FFr10.7950 (10.8075)
SFr2.7825 (2.7925)
Y224.50 (224.75)

DOLLAR
New York lunchtime
DM1.89225 (1.8950)
FFr6.3660 (6.3995)
SFr1.6460 (1.6524)
Y132.875 (133.10)
London:
DM1.8915 (1.8955)
FFr6.3850 (6.4000)
SFr1.6455 (1.6540)
Y132.85 (133.05)

GOLD
New York latest
Comex April
$384.6 (383.5)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,273.84 (-1.90)
S&P Comp
291.65 (+0.06)
London:
FT-SE 100
2,071.7 (+1.2)
World:
146.29 (Tues)
Tokyo
Nikkei Ave
32,737.28 (+430.92)
Frankfurt
Commerzbank
1,636.3 (+3.2)

OIL
Brent 15-day (Argus)
$19.30 (-0.15) (April)
West Tex Crude
not available

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Tough versus tender in Iranian politics

Withdrawl of Ayatollah Hossein Ali Montazeri (left) as heir-designate to Ayatollah Ruhollah Khomeini marks the biggest departure in the country's domestic politics since the early days of the revolution. **Page 17**

EUROPEAN NEWS

Eta threatens to call off ceasefire with Madrid

By Peter Bruce in Madrid

SPANISH POLICE and Civil Guards were put on maximum alert yesterday after Eta, the Basque terrorist organisation, threatened to break its three-month-old ceasefire today if the Government did not retract its version of a statement which Eta claims distorts the one agreed last week in Algeria.

The threat, published yesterday in the Basque newspaper Egin, came just hours after Eta had agreed to prolong its ceasefire until June 24, and probably reflects deep divisions about whether to continue negotiating a peace with Madrid.

The two sides have been talking in Algeria – where some senior Eta leaders are exiled – since early January and the ensuing peace has been easily the most positive development in the effort to end Basque terrorism since Spain became a democracy in the late seventies.

The talks began after the arrest in France of the Eta leader, Mr Josu Tenera, which is thought to have ended control of the organisation by a hard-line Stalinist faction. The exiles in Algeria are largely more moderate nationalists.

The Spanish Government yesterday said it stood by a statement made by the Interior Minister, Mr Jose Corcuera, on television on Tuesday night. Whereas he said that "we consider the results [of the talks] as positive," Eta insists that the agreed form of words was "the Government finds the results obtained positive."

The minister spoke of the "process of political conversations brought to a head in Algeria" and Eta has insisted this be changed to "the process of political conversations that are developing in Algeria."

The most difficult difference between the two appears to have occurred when Mr Corcuera said: "It is the Government's intention to continue a new phase of conversation that permits the attainment of an agreed and definitive solution." Eta wants this changed to: "It is the Government's intention to open the way to a new phase of the conversations to facilitate the maintenance of the current peace and lead to a negotiated political solution."

Madrid has always sworn it would not entertain political negotiations with Eta and the mere use of the term "political conversations" on television was surprising.

While a peace settlement with Eta would go a long way towards helping Mr Felipe González' Socialist Government out of its political trough, Eta, too, will be under great pressure not to break the ceasefire. Its political wing, Herri Batasuna, has been making huge strides in opinion polls since the truce began.

EC attacks Romania over human rights issue

By David Buchan in Brussels

THE European Community has criticised Romania as having no legal right within the Conference on Security and Co-operation in Europe (CSCE) to reject their recent request for information on Romanian dissidents.

A statement by the 12 member states complained that the Bucharest Foreign Ministry had refused to accept a request by Spain, which currently has the presidency of the EC, for information about some 24 Romanians who had signed a letter to President Ceausescu, asking him to halt bulldozing villages to transform them into new regional centres.

At the same time, the Commission said it is effectively freezing all negotiations with Bucharest for an upgrading in Romania's 1980 trade accord with the EC.

The Commission still has a mandate by the EC Council of Ministers, dating from 1986, to widen the trade agreement to include farm products and economic co-operation. But the last formal talks with Bucharest took place in autumn 1987.

Mr Frans Andriessen, the EC external affairs commissioner, told the European Parliament – where calls for a tougher anti-Ceausescu stand by the EC have been building – that he foresaw no resumption of the talks. For the moment, however, there is no question of the EC denouncing its existing accord with Romania.

Meanwhile, the Commission last week started negotiations with Poland for a trade accord, and is due to do likewise with Bulgaria next week. It is also preparing its request for a mandate to negotiate with the Soviet Union, which it is likely to put to EC foreign ministers before the middle of this year.

Economist reveals fierce argument between reformers and planners

Soviet battle over price changes

By Quentin Peel in Moscow

HUGE LISTS of new wholesale prices for products throughout the Soviet economy have already been drawn up and printed. But a fierce battle is raging between economic reformers and state planners over putting them into effect, a senior economist revealed yesterday.

At stake is whether the new prices package, which has already aroused a stormy public debate and threatens a further backlash against Mr Mikhail Gorbachev's perestroika process, will change the Soviet pricing system, or merely fix new controlled prices.

Fears about the public reaction have caused the whole package to be held back, and the first changes are now only expected to be introduced next year. Professor Nikolai Petrakov, deputy director of the Institute of Economics and Mathematics, and a leading academic expert on price reform, told a meeting of the International Economic Association in Moscow that the proposed price reforms were simply a repetition of "the old administrative methods of management."

He said the Goskomtsen – the state pricing committee – had already prepared millions of copies of new price lists for distribution, and "a very dramatic fight is under way." The state bureaucracy wanted "to solve the budget deficit by means of price reform, and to place the main burden of economic defects on the population: the people are always responsible for the mistakes of their leaders."

Professor Petrakov's outspoken comments are significant because he is the leading prices expert in the most prominent group of reforming economists in the country, which includes both Dr Leonid Abalkin, director of the Institute of Economics, and Professor Oleg Bogomolov, director of the Institute for the Study of the Economy of the World Socialist System.

"We understood by price reform a change in the very mechanism of price formation," he told a distinguished gathering of international economists. "On the other hand, this price reform has been prepared in an administrative manner." He said that supply and demand would not be allowed to determine prices. "According to the new prices, it is proposed, just as before, to ensure a centralised distribution and allocation of products."

Professor Petrakov's analysis was backed by Professor Morris Bornstein from the University of Michigan, who concluded that Soviet price reform at present was price "revision" rather than outright reform. He cited a string of substantial price rises which had already been indicated by Soviet officials, including an increase of 100-150 per cent in oil and gas prices, and 100 per cent for coal. The average increase in the price of construction materials would be about 30 per cent, while electricity rates would rise by 45-65 per cent.

Professor Bornstein was also sceptical about the degree of genuine freedom which would be allowed for agricultural producers selling perishable products, in the wake of the recent Communist party plenum on agriculture.

Professor Petrakov said that if the present price proposals were allowed to go ahead, "all the problems that exist will become more acute. It seems to me that the only way out of this situation is a radical change in the very mechanism of price formation.

"We have to change to the system of free prices," he said, "but it is not enough to create a market. We have to create a situation of competition."

He warned that to move to free prices in the current situation of excess money supply in the Soviet Union – with Roubles 300bn (£280bn) in unused personal savings held in state banks – created a very difficult situation, which could only be tackled by the introduction of "decisive measures for controlling incomes and expenditures."

He argued in favour of a "creeping reform of prices" beginning immediately. "But this would not mean the introduction of new bureaucratic prices. It would mean the removal of certain restrictions on the establishment of prices in specific areas."

Austria's economy outperforms forecasts

By Ian Davidson in Paris

THE AUSTRIAN economy did much better last year than had been expected a year ago, with output growing at about 4 per cent, employment picking up, and inflation declining below 2 per cent, according to the Organisation for Economic Co-operation and Development.

Given the much improved business climate in Austria and its main trading partners, the OECD considers outlook for the next year or two to be satisfactory, though growth may recede to about 2 to 3 per cent a year.

Austria's government wins the OECD's approval for its efforts to contain the budgetary deficit, and for two important projects: a reform of income and corporation tax, and a comprehensive restructuring of state industries.

But the organisation argues that more needs to be done both in micro-economic reform and in the reduction of macro-economic imbalances, and it calls on the Government, half-way through its term, to maintain the momentum in improving supply conditions for output and employment.

The Government is broadly on track with its medium-term budget strategy, under which it has planned to reduce the deficit from around 5 per cent of gross domestic product in 1986 to 2½ per cent by 1992.

However, the progress made so far has depended partly on sales of state assets and reductions in investment, as well as on the rapid growth of the economy; the OECD points out that these factors can not be relied on to the same extent indefinitely.

Moreover, the tax reforms which came into force at the beginning of this year will initially exacerbate the Government's budget deficit problems.

The reform package involves simplifying tax structures, lowering rates, and broadening the tax base through simplifications and the reduction of loopholes and exemptions. In the medium term, it is designed to be revenue neutral, but this year and in the early 1990s the OECD predicts that it will entail revenue losses.

The shortfall this year, expected to be Sch 10bn (£445m), will be compensated for by stepping up asset sales in order to bring the deficit down to 4 per cent of GDP. Keeping the budget consolidation process up to the mark will require further significant measures of expenditure restraint, says the OECD.

One of the main factors aggravating the problem of the budget deficit is the large and growing deficit of the social security system, especially the national pension scheme.

Pension payments have risen from 9½ per cent of GDP in 1960, to 15 per cent in 1987, the highest level in the OECD area; and this problem will naturally get worse through the ageing of the population. Official estimates suggest that by the year 2030 the number of over-60s will have increased by 700,000, or 50 per cent.

The OECD argues implicitly that Austria will have to choose between various responses.

If the pension system were to be made self-financing, contributions would have to rise by 50 per cent over the next four decades. If there were a freeze on contributions and on government subsidies to the pension scheme, average pensions would have to decline by a third.

If pensions and contributions remained unchanged, government subsidies to the pension scheme would need to double in real terms. Finally, there would be the option of delaying the retirement age, which is 65 for men and 60 for women, though many retire earlier.

Luxembourg bolsters banking secrecy

By David Buchan in Brussels

LUXEMBOURG HAS given legal backing to long-standing administrative restrictions on its banks passing information to local or foreign tax authorities, in a move cautiously welcomed by the European Commission in Brussels.

The decree, signed last Friday under special economic powers bypassing the normal parliamentary procedure, is designed to clarify the duchy's bank secrecy practices dating back to the 1940s, Luxembourg officials said yesterday.

They said the move was prompted by the European Commission's proposal in February to modify a 1977 directive on co-operation between EC tax authorities.

In particular, Brussels wants to ensure that member-states do not go beyond their national legislation in using "administrative practices" to frustrate requests for banking information from EC partners.

A Commission spokesman said the new Luxembourg law "could be a step in the right direction" by introducing greater legal clarity and certainty in the duchy, adding that Brussels did not want "to harmonise or abolish banking secrecy laws as such" where they now exist in the Community.

Closer co-operation between EC tax authorities is seen in Brussels as one answer to the prospect of increased risk of tax fraud raised by next year's planned liberalisation of capital movements.

The Commission's other proposal is for a 15 per cent minimum withholding tax on bank interest and some bond income, or automatic reporting by banks of such income to tax authorities.

Luxembourg is bitterly opposed to introducing either measure, and duchy officials yesterday gave no credence to some EC hopes that, bolstered now by a more comprehensive banking secrecy law, they might soften their opposition to taxing bank and bond income at source.

The general "administrative" practice of Luxembourg has been to ignore foreign requests for information on depositors in its banks, unless the request has the backing of foreign police authorities on the trail of a crime, such as money-laundering by drug smugglers. Luxembourg is aiming to pass special anti-laundering legislation this year.

Though refined by further laws in 1981 and 1984, the legal basis for Luxembourg banking secrecy dates back to 1941 when the duchy was annexed to Germany.

The 1941 provision allowing the authorities to force disclosure from banks about their clients in certain circumstances was considered by both the Luxembourg banks and the Conseil d'Etat, the duchy's constitutional court, to have become void through disuse in the past 40-odd years.

But the Government decided last week that it needed all the legal weapons it could muster in the coming EC negotiations, and went ahead with the decree.

Britain to receive big share of Community job training funds

By William Dawkins in Brussels

BRITAIN will get just over 18 per cent of the European Community's Ecu 3.5bn (£2.3bn) funding for job training in high unemployment areas this year, the largest share of any EC member state, the Commission revealed yesterday.

The size of the handout could help defuse the UK's disappointment at finding earlier this month that areas of urban decay had been cut out of the EC's regional fund, the largest of the Community's recently expanded development, or "structural" funds. Most of the social fund cash will support national training programmes like the Youth Training Scheme and the Employment Training Scheme. The rest will go mainly to local authorities and companies which need to retrain people being made redundant. Unlike the money channeled through the larger regional funds, the Government does not use EC social funds to replace part of its own spending, so that yesterday's allocation is genuinely additional money.

Given the fact that Britain's jobless rate is declining, its share-out was being seen by officials in Brussels as generous. However, the UK's Ecu 640m allocation also represents a slight decline from the its unusually high 21 per cent share – Ecu 667m – of last year's Ecu 3.2bn European social spending. By the time the full share-out of structural funds is complete, the UK is expected to emerge overall with a smaller share than previously, in line with the Commission's policy of attempting to focus regional aid more on the less developed southern member states.

Spain is the second main beneficiary of yesterday's decision, with 17 per cent of the total, or Ecu 310m, followed by Italy with 16.9 per cent and France with 12.4 per cent. The largest part of the cash goes to national job creation schemes for those under 25, with Ecu 2.56bn split between disadvantaged and other regions. Another Ecu 837,000 goes to national schemes for the over-25s, with the remaining Ecu 118,000 reserved for specific training projects agreed by the Commission.

Examples of projects backed by the social fund include a French training scheme for industrial robot technicians, educating young Portuguese in computer aided design and teaching jobless Italians about pollution monitoring.

E Germany tries to ignore Soviet poll

By Leslie Colitt in Berlin

THE DRAMATIC election results in the Soviet Union, where many leading party officials failed to be elected to the country's new parliament, have been treated by the orthodox East German leadership as a non-event.

Only yesterday were a handful of the results reported, without comment, in the main newspaper, Neues Deutschland. In Czechoslovakia, the results were the first item on state television's evening news on Tuesday, but Western diplomats in Prague said the conservative leadership of Mr Milos Jakes will not submit the party to a similar electoral popularity test.

The defeat of conservatives in the Soviet elections was welcomed in press commentaries in Hungary and Poland, whose Communist parties have openly admitted that they are unpopular.

Their decision to share power with the opposition and to hold multi-party elections go well beyond what the Soviet party envisions.

But Mr Mikhail Gorbachev, while ruling out a multi-party system for the Soviet Union, has said that his East European allies are free to do what they think best.

A new draft press law presented yesterday at a central committee meeting in Budapest provided further evidence of how far advanced the reforms are. The law will permit private individuals to publish newspapers and magazines and thus enable former *samizdat* publications to be sold openly.

The Soviet election, in which many party candidates faced rivals for the first time, was particularly embarrassing for East Germany which is preparing for traditional one-candidate elections in May.

The party stressed that the vetting of candidates at their places of work guaranteed that only those citizens who "enjoyed the confidence of the people" were nominated.

Neues Deutschland yesterday published the latest in a series of sharp rebuffs to economic reforms in other Communist countries.

Professor Harry Nick of the central committee's Academy of Social Sciences, ridiculed the concept of a "Socialist market economy" as a "naive, at times almost romanticised" idea, about regulation through the market economy. He noted that economic superiority over capitalism would never be achieved by introducing "more market and more competition."

Grim outlook for Sweden

By Robert Taylor in Stockholm

THE SWEDISH economy will continue to be overheated over the next two years with serious labour shortages and high inflation pressures, according to the latest economic forecast for the country published by the independent National Institute of Economic Research in Stockholm yesterday.

A serious deterioration in Sweden's current account deficit is predicted for this year and in 1990, with a fall from SKr15.7bn last year to SKr18.3bn in 1989, which amounts to 1.5 per cent of the country's gross domestic product this year.

France prepares insurance law reforms to meet EC directives

By George Graham in Paris

THE FRENCH cabinet yesterday approved plans for reforming France's insurance legislation, bringing it into line with European Community directives which call for a gradual opening up of the EC insurance market.

The proposed legislation, which is due to be put before Parliament this spring, will also remove some restrictions on the purchase of shares in nationalised insurance companies.

This change is designed to permit the exchange of share stakes between Union des Assurances de Paris (UAP), the leading state insurer, and Banque Nationale de Paris (BNP), the main nationalised bank, but it will also allow freer purchases of insurance company shares by French and foreign institutional investors.

Shares in the state insurance companies are quoted on the Paris stock market, but they are a relic of shares originally granted to employees, and may only be bought by French investors, with a maximum of 1 per cent of the company's capital for each investor.

The new bill will bring the law into line with that governing other state companies, which may not float more than 25 per cent of their capital.

Mr Louis Le Pensec, the government spokesman, said the legislation would bring France in line with EC directives allowing the free sale of certain types of insurance contract across frontiers from the middle of next year.

At the same time, the bill changes some aspects of French contract law, giving increased information rights to consumers.

The regulatory structure of the insurance industry will also be modified, with the creation of an independent commission, modelled on the banking commission set up in 1984, to supervise insurance companies and sanction any shortcomings. These functions are currently carried out by a division of the Finance Ministry, which will retain the right to grant licences to new insurers and to supervise insurance policies.

Another provision will allow mutual insurance companies to form groupings.

The reform of France's insurance legislation was first proposed by Mr Edouard Balladur, Finance Minister in the former right-wing Government, in 1987. The overhaul of the codes, some of them dating from before the Second World War, proved more difficult than expected, however, and it is Mr Pierre Bérégovoy, his Socialist successor, who will put the reform into effect.

Tension in the Balkans yesterday overshadowed the start of a landmark trip to France by Mr Reiz Malile, Albania's Foreign Minister and the most senior envoy from Tirana to visit Paris in more than 42 years, Reuter reports from Paris.

Danes may vote on tax plans

By Hilary Barnes in Copenhagen

PRIME MINISTER Poul Schlüter of Denmark, leader of the non-Socialist minority government, is considering the unusual idea of submitting government proposals for tax reforms, reductions in government spending and the introduction of more user-charges for welfare services to a referendum.

The Government's proposals, according to Mr Schlüter, will be among the most radical ever to be put forward by a Danish government.

The full details of the programme will not be made public until June, but ministers have told the Financial Times that the tax reshuffle could involve a total of as much as DKr60bn (£4.8bn), a sum equivalent to about a fifth of government revenue and almost 10 per cent of the nation's gross domestic product.

The proposals will include, in order of priority, lower business taxes, lower marginal income rates and adjustments to indirect taxes. Gradual cuts in government expenditure and more user charges for welfare services are also expected to be included in the programme.

"With extraordinary measures, it is healthy to allow democracy to function directly," the Prime Minister said this week.

The Government's chances of winning a clear majority for its proposals in the Folketing, where it controls only 67 out of 179 seats, are, however, considered to be no better than moderately good.

A referendum would be consultative only, as the Danish constitution does not allow binding referenda on tax issues.

Ireland sinks its teeth with relish into meaty drama

Kieran Cooke reports on claims of international fraud and cover-up involving a vital national industry

TAKE a man reputed to be Ireland's richest businessman. Add in the secretive goings-on in the global beef trade. Throw in allegations of fraud involving EC funds and accusations of a government cover-up. It adds up to a heady mixture, one which has rapidly achieved top billing in Dublin's boardrooms and bars.

The man at the centre of the controversy is Mr Larry Goodman, known in Ireland as "the beef baron". His privately-held Goodman International Group is Europe's biggest beef processor and exporter, with an annual turnover estimated at nearly I£800m (£665m), equivalent to about 4 per cent of Ireland's gross national product.

Earlier this month it was alleged in the Dail, the Irish Parliament, that Goodman International was the subject of a "major investigation" by the Irish Fraud Squad.

Subsequently it was also alleged in Parliament that companies directly associated with Goodman International had made "misdeclarations" on EC export refund papers, and that, as a result, the Irish Department of Agriculture had imposed a penalty of more than I£1m on the Goodman Group.

A party of vegetarians in an abattoir could not have created a bigger furore. The beef trade is vital to Ireland. Exports of beef last year were worth I£1bn, more than 8 per cent of total exports.

It is estimated that Goodman International controls at least 45 per cent of the country's beef industry. The industry employs 15,000 people in Ireland. The Department of Agriculture says that the cattle and beef sector is six times more important to Ireland than to any other EC member state.

"This kind of publicity can do untold damage to the international reputation of the industry," said Mr Michael O'Kennedy, the Agriculture Minister.

The Goodman Group has described the allegations against it as "ill-informed, false and malicious" and said competitors in the industry were orchestrating a "whispering campaign" against it.

Mr Goodman himself, renowned as a tough, no-nonsense operator, described his critics as leftists who were "anti-private industry, anti-success, anti-effort, anti-bloody well everything."

Mr Charles Haughey's Government rallied to support Mr

"Beef baron" Larry Goodman

Goodman. In the Dail there was a shouting match: the Prime Minister accused those who had made the allegations of trying to sabotage the entire Irish beef industry.

"You are protecting a friend," shouted back a member of the opposition. Opposition politicians have alleged that the Goodman Group has close contacts with the governing Fianna Fail party, and have accused the Government of a cover-up in regard to the misuse of EC funds.

Mr Haughey said that Brussels had every confidence in the way Ireland supervised its beef trade. There has been no confirmation from the Irish Fraud Squad of serious investigations into the Goodman Group. Mr Goodman has challenged his critics to make their allegations outside the Dail, away from the protection of parliamentary privilege.

It has become clear that the Agriculture Department is in the process of penalising the group for activities which include misdeclarations in connection with export credit refund documents. The department also admitted belatedly that the matter had been referred to the police.

The Goodman Group says a subcontractor and not it was responsible. Those making the allegations say the responsibility lies firmly with Goodman International.

Irish opposition parties, frustrated by Mr Haughey's continuing popularity with the electorate, have seized on the issue with all the relish of dogs being shown a rare steak.

Not only Goodman International but the Government is clearly very concerned about the wider impact of these allegations. The Agriculture Department, as in other EC countries, acts as the Community's local agency. It pays out Brussels funds. It monitors the system: if the department detects irregularities in the payment of EC funds it is held liable by Brussels.

Critics of the system say that EC member states have an interest in not uncovering, and certainly in not publicising, any wrongdoings. They say the EC should have independent powers of investigation. The main opposition Fine Gael party wants an independent intervention division, free from political interference, to be set up within the Agriculture Department in Dublin.

The EC has played a vital role in the success of the Irish beef industry. In recent years Goodman International has been successful in developing markets in the difficult North Africa and Middle Eastern markets, particularly in Iran and Iraq.

Such markets attract the highest level of EC refund payments – the compensatory payments made by Brussels to cover the difference between EC prices and the lower meat prices in other markets. It is believed that Mr Goodman's companies now receive about I£100m of EC export subsidies each year.

Allegations of fraud surrounding the Goodman Group remain only allegations. But there is no doubting the concern felt in many circles about the power and influence Mr Goodman commands.

He controls more than 80 companies and employs between 1,500 and 2,000 people in Ireland. Recently he bought a 7.9 per cent stake in Unigate, the British food multinational, for more than I£60m and a 6.9 per cent stake in Berisford, the sugar processing and commodities group, for a similar sum.

Food Industries, the publicly-quoted agribusiness company which Mr Goodman controls, is rapidly expanding, with the aim of becoming one of the most important elements of the European agribusiness industry after 1992 and the European single market.

Mr Des O'Malley, leader of the opposition Progressive Democrat party, says the size of the Goodman business empire "is the cause of significant and growing disquiet, especially to farmers and the agribusiness sector in general. Its huge size, at nearly 4 per cent of our GNP, and its anxiety to extend into nearly all aspects of agribusiness, impose obligations of openness and disclosure on it which it has chosen not to meet."

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK

Contras' funding to be halved

By Lionel Barber in Washington

THE Bush administration is halving funding for the Nicaraguan Contra rebel political operation in exile in the US.

The move is aimed at encouraging the rebel leaders to return home to test promises by the Sandinista Government to open up their political process before next year's elections.

Other steps growing out of last week's accord between the administration and Congress on Contra aid include a meeting next week between President George Bush and President Oscar Arias of Costa Rica, the architect of a regional peace plan in Central America. The administration has also begun consultations with European allies to persuade them to tie their economic aid programmes to the Sandinistas' pledges to democratise.

The administration has been spending $4.8m (£2.7m) a year to support the Contras' exiled political operation, which includes offices in Miami and Central America. Costa Rica has on occasion expressed unease about the presence of Contra leaders, while Honduras agreed to consider dismantling Contra base camps but later backed off under US pressure.

Mr Alfredo Cesar, a Contra rebel leader, said yesterday: "The message is that the US will no longer support political activities in exile. The only ones they will support are ones conducted inside Nicaragua as part of the political opposition there. That is where the testing arena is now."

Mr Cesar described the move as a logical result of the new Bush administration policy of diplomacy and of supporting the internal opposition in Nicaragua. The Reagan administration's military aid programme has been shelved in return for support by the Democratic majority in Congress for a 10-month renewal of $45m of humanitarian aid to the rebel troops just inside Honduras.

Inflation and debt hem in economic policy makers

Peter Norman previews the IMF and World Bank spring meetings starting in Washington tomorrow

IN America, people in a jam sometimes talk of being stuck between a rock and a hard place.

With the spring meetings of the International Monetary Fund and World Bank about to start, many of the world's economic policy makers must feel that inflationary pressures in the industrial countries and the protracted Third World debt crisis threaten them with a similar lack of manoeuvring room.

The two issues of inflation and debt look set to push the perennials of currency stability and the global current account imbalances into the background when talks begin in Washington tomorrow.

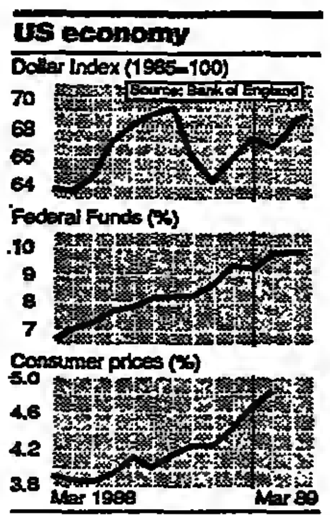
Depending on the course of inflation, many of the finance ministers and central bank governors from the 150 or so industrial and developing countries converging on Washington could face some extremely difficult decisions about interest rates in the months ahead. The meetings should also be the occasion for Mr Nicholas Brady, the US Treasury Secretary, to explain in detail how his ideas for voluntary debt reduction backed by the resources of the IMF and World Bank will work.

Dollar interest rates are the link between the issues of inflation and debt. If the belief catches hold that inflation in the US is not under control, upward pressure on US interest rates is sure to follow. The consequent increase in burdens on Third World debtors will far outweigh any possible benefits from Mr Brady's ideas for debt reduction.

The problem is that this year's spring meetings are being held at a time of great uncertainty about the state of the world economy. Rarely have the economic signals been as mixed as in the current late phase of the 6½-year-old recovery from the recession of the early 1980s. Pundits' forecasts range from slower growth through increased inflation to recession.

Until recently it appeared that the policy maker's ideal of sustained non-inflationary growth, espoused at successive annual economic summits of the Group of Seven leading industrial countries, was close to being achieved. But for the past six months, it has become apparent that inflationary pressures among the main industrial countries are much stronger than previously imagined. The big unanswered question is whether the progressive tightening of monetary policy in most industrial countries since last summer has managed to stem the tide of rising prices.

Leaked IMF forecasts suggest that this may be the case.



Early drafts of the IMF's World Economic Outlook, due to be published in its final form in Washington next week, project that consumer inflation in the seven major industrial countries could average 3.7 per cent this year, compared with the 3.5 per cent rate envisaged by the Paris-based Organisation for Economic Co-operation and Development in December. But looking ahead to 1990, the IMF expects a slowdown in inflation to an average of 3.4 per cent for the US, Japan, West Germany, France, Britain, Italy and Canada, whereas the OECD three months ago forecast a slight quickening in the 1990 rate to 3.75 per cent.

This is the sort of news that policy makers want to hear and could explain the recent willingness of men like Mr Nigel Lawson, the Chancellor, or Mr Michael Boskin, who heads the US president's Council of Economic Advisors, to suggest that interest rates may have peaked.

Certainly, in the run up to the meetings, the US, West Germany and Japan appear to have accepted a temporary halt to the previous round of interest rate increases. Whether this proves tenable depends less on the will of finance ministries or central banks than on the pressure of financial markets.

This week's strong upward movement of the dollar is a reminder that the markets always have the power to spring surprises. Although a strong dollar reduces pressure on the US authorities to raise interest rates, a weak yen or D-mark translates into higher imported goods prices for Japan and West Germany and could force the authorities in Tokyo and Frankfurt to tighten monetary policy.

Although it seems that finance ministers in the big industrial countries would be reluctant to raise interest rates at present, central bankers in general and the Bundesbank in particular would have far fewer scruples if they felt efforts to uphold price stability were threatened.

It is unlikely, however, that the G7 industrial countries, which meet on Sunday, will be panicked into action on interest rates by the dollar's most recent surge. One reason for expecting calm in the short term is that the last two meetings of the G7 – in West Berlin last September and in Washington in February – were also preceded by strong but temporary upward movements of the dollar.

Barring surprises, Mr Brady's debt suggestions should therefore to be a main talking point at the Washington meetings.

Since first unveiled on March 10, the US ideas for harnessing the resources of the IMF and World Bank to back voluntary debt reduction have been given strong support by Japan and France, but only a cautious welcome by other European countries and by many debtors.

Countries such as Britain, West Germany, Italy and the Netherlands suspect the Brady suggestions will ease the debt crisis only slightly and contain the danger of transferring risk from debtor nations and creditor banks to taxpayers in the industrial countries.

Debtor nations, by contrast, fear the US suggestions will not go far enough. "We want a realistic and concrete proposal, and there just isn't enough co-ordination and coherence among the participants," complained Mr Maílson da Nóbrega, the Brazilian Finance Minister, at a meeting in Paris last week.

Meanwhile, the poor non-indebted countries such as India and Indonesia have yet to be speak out. They could object that the Brady suggestions are unfair because they will absorb IMF and World Bank resources to which they might be entitled.

In bidding for support for its ideas, the US has re-opened an old debate about the IMF's level of resources. It has hinted that it might drop long-held objections and back other IMF members in support of an increase in IMF capital in the form of increased quotas or members' subscription rights.

April 30 has been set as a deadline for resolution of the quota issue, but this is certain to be extended at least until the next IMF annual meeting in the autumn.

The period until then is also likely to see intensive discussions about Japan's wish to become the IMF's second most important member at the cost of Britain.

Labour Party view, Page 8

US leading indicators show fall

THE US Index of Leading Indicators, the Government's main barometer of future economic trends, fell 0.3 per cent in February after a 0.7 per cent rise in January, the Commerce Department said yesterday, Reuter reports from Washington.

It was the first decline in the index – which is supposed to show the direction of the economy three to six months in the future – since September, when it also fell 0.3 per cent. The decline, which had been expected, failed to move financial markets.

Last month's decline, which partly reflected a drop in capital investment by businesses in new plant and equipment, was slightly smaller than the 0.4 per cent decrease expected by Wall Street economists.

In recent months the US economy has shown signs of slowing as durable goods orders, retail sales, imports, housing starts and the operating rates of manufacturing industries all have declined, while industrial output has been flat.

Over the past year the Index of Leading Indicators has risen 3.5 per cent, following a 2.4 per cent rise in the previous year, the Commerce Department said. With February's decrease, the index was at 145.2 over its 1982 base of 100.

Venezuela, Colombia in border talks

By Sarita Kendall in Bogota

WITH backslaps and hand-shaking, the presidents of Colombia and Venezuela have launched a promising attempt to tackle a long-standing, often bitter and occasionally violent border dispute.

Accompanied by ministers and former presidents – including Mr Adolfo Suarez of Spain, who will lead a new Conciliation Commission – Mr Vergilio Barco of Colombia and Mr Carlos Andrés Perez of Venezuela spoke of friendships, shared interests and joint frontier development in their Tuesday meeting on the border bridge at Ureña.

Mr Barco said the Conciliation Commission was to recommend a modus operandi allowing direct negotiations on the definition of the marine border in the Gulf of Venezuela. Two more commissions will analyse a whole range of frontier issues.

Previous attempts to discuss border problems have always foundered. The most dangerous moment came in 1987, when a Colombian navy gunboat was escorted out of disputed waters, narrowly avoiding a serious confrontation. However, both presidents come from frontier regions of their countries, and Mr Pérez has always been seen as friendly and open towards Colombia.

Colombia and Venezuela share a frontier running over 1,400 miles between the Caribbean Sea and the Amazon Basin. Although the territorial dispute is limited to a small part of the Gulf of Venezuela, attacks by Colombian guerrillas, drug trafficking, cattle rustling and illegal migration have exacerbated bilateral relations. Contraband flourishes in the frontier zone and incidents are common. An estimated 1m Colombians live and work in Venezuela. Allegations of ill-treatment by Venezuela have sometimes produced formal complaints from Colombia.

On either side of the frontier are big oil and coal deposits and other natural resources.

The special commissions to study the economic and social development of frontier regions include leading businessmen and politicians from the two countries. A joint hydro-electric scheme on the Orinoco River and several agro-industrial ventures are on the agenda. For the first time in many years, the handshakes are generating more hope than scepticism in Colombia.

Peace hopes at Costa Rica meeting

By Tim Coone in Managua

IMPORTANT advances in the Central American peace plan are expected from a ministerial summit today and tomorrow in San Jose, Costa Rica.

Foreign ministers of the five Central American countries are due to ratify the establishment of a UN observer force in the region, to draw up a mechanism for the demobilisation of the 11,000-strong "Contra" army of Nicaraguan rebels based in Honduras, and to agree means of co-ordinating the battle against drug-traffic through the isthmus.

The multilateral meeting is the first since the breakthrough at February's presidential summit in El Salvador, at which Nicaraguan President Daniel Ortega made political concessions in return for a commitment by the region's leaders to demobilise the US-backed Contra army.

Today's ministerial summit is to thrash out the details of the agreements made in El Salvador. Of particular interest will be Honduras's new proposals on the future of Contra bases on its territory.

Nicaragua is eager that the demobilisation process should begin as early as May, and that the UN observer force be in place as soon as possible. Ministerial approval of the observer force plan, details of which were worked out this month in New York, will require that the proposal be debated by the UN Security Council. It is uncertain whether the US will veto the plan.

Argentina's monthly inflation rate nears 20%

By Gary Mead in Buenos Aires

INDEPENDENT economists are predicting that Argentina is again on the border of hyper-inflation, with monthly rates due to surpass 20 per cent in May and likely to deteriorate further thereafter.

At the same time panic buying by speculators of US dollars has begun, as a hedge against the soaring of inflation. Yesterday the Argentine austral traded on the streets at 50 to $1, a record for unofficial currency exchange levels. The gap between the official government rate and that obtainable from unofficial dealers is now more than 200 per cent.

Non-party economic analysts in Argentina are now confident that serious inflationary problems are imminent. Such reports confirm private analyses of international financial institutions and commercial banks. The accelerating black market depreciation of the austral has surprised the most careful analysts, and will inevitably heighten tension in the run-up to the presidential election of May 14.

People have been flocking to buy US currency as the most liquid and yet stable hedge against inflation. Consumer prices, despite government denials, are shooting up for all manner of basic items. Mr Pedro Perez, head of the Buenos Aires federation of grocers, said Argentines faced "a waterfall of increases". Food prices have risen between 20 and 75 per cent in the past few days and prices of consumer durables considerably more.

OVERSEAS NEWS

Warning on Mexican debt disaster

By Ian Rodger in Tokyo

A LEADING Japanese banker has said there would be a disaster if a debt reduction scheme for Mexico under the recently announced Brady plan was not agreed and implemented successfully within the next few months.

Mr Yoh Kurosawa, deputy president of the Industrial Bank of Japan, said in Tokyo that the mere publication of a plan for Mexico, which would inevitably include some principal or interest forgiveness, would open a "Pandora's box." It would effectively invite all heavily indebted developing countries to stop making interest payments on their debts until plans for them had been agreed as well.

If the Mexico plan was not successful, the US would be embarrassed, and political instability could grow in debtor countries. On the other hand, if the Mexico case was settled successfully, then the second and third cases, probably Venezuela and the Philippines, wonld ha "easy" to arrange, he predicted.

Mr Kurosawa, who has taken a leading role among Japanese commercial bankers in dealing with the third world debt crisis, said he gave total backing to the proposals made by Mr Nicholas Brady, the US Treasury Secretary, three weeks ago.

However, he was worried about potential obstacles to implementing the plan, notably the reluctance of many small commercial banks to faca write-offs of parts of their loans. "What will happen to the Brady plan when small US banks start lobbying their congressmen?," he asked.

He acknowledged that some small banks would be in financial trouble if they wrote down their third world loans, but said there was nothing other hanks could do about that. "Bringing small hanks into line or helping them is a job for the IMF," he said.

He was impressed with the recent presentation by Mexico to its creditors of four options – reduction in principal, reduction in interest, new money to offset interest payments or capitalisation of interest. "Mexico did that to force the commercial banks to see that they have to take one of them. There is no free ride," he said.

Mr Kurosawa was also concerned about the possible resistance of the British, French and West German governments to Japan achieving greater voting power in the International Monetary Fund. The US authorities are counting on Japan to provide a large portion of the new funds needed by the IMF and the World Bank to implement the Brady plan.

He said the Japanese Government would have to demand an increase in its IMF voting power, now fifth behind the US, the UK, West Germany and France, to justify the investments. He wondered if the UK, West Germany and France would agree to see Japan's power surpass theirs.

MITI sparks government row over use of CFCs

By Michiyo Nakamoto in Tokyo

JAPAN'S powerful Ministry of International Trade and Industry (MITI) has sparked off an inter-ministerial row by trying to weaken the Japanese Government's international commitment to dealing with the adverse effects on the environment of chlorofluorocarbons (CFCs).

About half of the CFCs consumed in Japan are used to clean machinery parts, such as semiconductors. MITI's view is that the CFCs are vital to the country's huge electronica industries and so it would be wrong to curtail their use until substitutes are found.

"Our policy is to meet international standards, but on the condition that a satisfactory substitute is found, " a MITI official said.

However, the government's Environment Agency is championing the 1987 Montreal Protocol, an international agreement to which Japan was a signatory, calling for the reduction of CFC production and consumption to 1986 levels by 1993.

"There is no question of meeting MITI's conditions," an agency official said.

"The Japanese government has already agreed to meet the Montreal requirements," he said.

Despite its unwillingness to meet the Montreal agreement's demands, MITI has been warning companies that they will have to consider cuts in CFC use in the future.

The ministry is alao considering ways to help companies that will have to make major investments to re duce CFCs.

LDP angered by concern in US over FSX fighter

By Our Correspondent in Tokyo

MEMBERS of the defence policy committee of Japan'e ruling Liberal Democratic Party (LDP) yesterday expressed strong displeasure over US reservations about the bilateral agreement to develop Japan's next fighter aircraft, known as the FSX.

According to reports in Tokyo, one LDP Diet (Parliament) member said during a meeting of the committee. "If the US has excessive concerns on the accord, Japan should consider scrapping it and developing the fighter on its own."

Another member said the government should ask Washington to refrain from linking defence issues with economic matters.

Many government, military and industrial leaders in Japan favoured the idea of building the FSX alone when the project was being decided on in the summer of 1987. However, the US pressured the Japanese to agree to a joint development, partly as a way of easing Japan's huge bilateral trade surplus with the US.

A memorandum of agreement on a joint development was signed last November by the two governments. However, early this year, some US Congressmen, Administration officials and media began expressing strong reservations about the deal, saying it would enable Japanese aircraft manufacturers to acquire US technology too cheaply.

Two senior Japanese officials flew to Washington last week to try to resolve the latest differences between the two sides on the effects of the agreement.

Peking gives short shrift to HK activists

By Michael Marray in Hong Kong

A GROUP of Hong Kong activists campaigning for the release of imprisoned mainland Chinese dissidents returned to the territory from Peking last night, having had their petition with 20,000 signatures confiscated by the authorities before they had the opportunity to present it.

Customs officials at Tianjin airport on Tuesday took away the signatures on the grounds they represented propaganda material, which had to be cleared through the proper channels.

Yesterday the six Hong Kong delegates, including trade unionists and journalists, handed in a letter to the Standing Committee of the National People'a Congress, calling for the release of Mr Wei Jingsheng and other political prisoners.

It was ten years ago yesterday that Mr Wei, a prominent figure in the Democracy Wall movement of the late 1970s, was arrested.

Members of the Hong Kong delegation said they had called on Peking to forward the signatures to the NPC from Tianjin.

The incident comes at a time when China's record on freedom of expression and human rights is coming under increasingly close scrutiny in Hong Kong, in the run up to sovereignty reverting to China in 1997.

Sir Geoffrey Howe, the British Foreign Secretary, last week suggested that a bill of rights might be enacted in Hong Kong before 1997.

Hong Kong officials have since said that the enactment of any such legislation would have to follow the promulgation next year of the Basic Law, the mini-constitution for Hong Kong which will govern the territory after 1997.

The *Basic Law* contains clauses dealing with human rights, which have already been revised for the second draft to reflect concerns felt in Hong Kong. A final consultation period on the Basic Law is currently in progress in Hong Kong, running until July.

● Wang Hanbin, vice chairman of China'a parliament yesterday ruled out an amnesty for political prisoners.

"The National People's Congress is not considering giving, nor does it think it necessary to offer, special pardons to prisoners on this occasion," he said.

Mixed blessings in a windfall

The Japanese Government is providing millions of Yen to revitalise regional economies, writes Michiyo Nakamoto

THE MAYOR of Aogashima-mura, a tiny island village 367km off the coast of Tokyo, has a money problem.

The village, with only 210 residents, is to receive a special Y100m ($780,000) grant from the Government, and Mayor Sasaki doesn't know what to do with it all.

"This is a small town," he said. "We would like to do something to attract young people back to the island, but just what we can do is difficult to say."

Mr Sasaki is not alone in his dilemma. Aogashima-mura is one of more than 3,000 villages, towns and cities that will receive this grant under a project known as the "furusato sosei," or creation of home towns to revitalise regional economies.

This has long been the pet project of Mr Noboru Takeshita, and when he became Prime Minister last year he finally had the power to force a reluctant Government to do something. Among thc items in the hndget for thc 1989-90 fiscal year is some Y300bn to cover the cost of these grants.

Under this scheme, each municipality, regardless of size, will receive Y100m in a supplementary hudget which they will be free to use any way they choose. Although there are to be no strings attached, recipients are under pressure to come up with ideas in line with the programme's goal of revitalising regional economies. Projects will also be subject to checking by the Government'a anditors to make sure the money has been well spent.

For a tiny impoverished village like Aogashima-mura that seems to have been left behind in the country's great accumulation of wealth, a windfall Y100m came as more than a welcome surprise. But it may be more of a mixed blessing for those charged with the task of deciding what to do with the money.

"There really is not much on this small island," said Mr Sasaki. "There are some cattle and passion fruit processing, but most people make their living on public works projects, huilding roads and facilities. Wa don't even have a port yet and we're racking our brains trying to think of what we can do with Y100m to get young people to come live here."

After initially hailing the extra Y100m in untied revenue, officials at Oyama-cho town hall in Oita Prefecture began to have mixed feelings about the project. "We are very thankful but we also feel that we . have been given a great responsibility"

Administrators in other villages, towns and cities alike are having an equally difficult time coming up with imaginative or practical ideas on how to make the best of their good fortune.

After initially hailing the extra Y100m in untied revenue, officials at Oyama-cho town hall in Oita Prefecture on the sonthern island of Kyushu, began to have mixed feelings about the project.

"We are very thankful, of course, but we also feel that we have heen given a great responsibility," said a town hall spokesman. "What if regional towns don't manage to use their money wisely? Peopla will think that regional areas are no good after all."

Although few concrete plans have emerged so far, many under consideration reflect a spreading hope that the present leisure boom will win workers and income back from the larger cities to the regions. Several towns are considering a facelift in line with the hometown spirit the programme calls for, and in the hope that a more historic or idyllic look will help attract tourists. Katsuyama-cho, a small town nestled in the mountains to the southwest of Tokyo, is one of them. The town, dependent largely on forestry, is considering restoring something of the town's history as an old castle town.

Many of the smaller and poorer towns have more practical uses in mind, such as the proposal made in the island village of Rijima-mura to huy their own ship for crossing over to the mainland on the countless times that commercial runs are cancelled. Another village would like to establish a fund to pay for the boarding costs of village teenagers wanting to attend the nearest high school.

While the programme is finding few critics among its benefactors, there are those, mainly in the larger cities, who openly admit that the amount being distributed is hardly enough to do more than help fund ongoing projects. As one administrator in Kakegawa, a city of 71,000 in tea-growing Shizuoka Prefecture, concedes "there isn't much you can do with Y100m that will really please the people."

Yokohama, the largest municipality to receive the bonus fund, is more diplomatic in its response. "Some people say it is unfair that the same amount is being distributed to every town and city regardless of size, but we realize it's one way of trying to revitalise regional economies," said Mr Satoru Kato, general manager in the Planning, Coordination and Finance Department of the City Hall. "Big cities have their own sources of revenue. We are very thankful for the extra fund and would like to make the best possible use of it."

The Ministry of Home Affairs, which is responsible for carrying out this particular part of Mr Takeshita's "furusato project," does not appear to be troubled by such criticism. The point of the project, according to the Ministry, is to get people thinking about what can revitalise their town. The important thing is that the whole community joins in the effort to coma up with ideas on how best to stimulate their regional economy.

"If Y100m was really enough to revitalise the regions, it would have been distributed ages ago. What we want, is for the money to act as a stimulating force," said Mr Tsutomu Sakai of the Policy Planning Division in the Ministry of Home Affairs.

Critics argue that the programme is nothing but a politi

Critics argue that the programme is nothing but a political move to win popularity back to the Takeshita government severely damaged by the Recruit share sale scandal. The government has also been accused for cutting back on regular regional aid

cal move to win popularity back to the Takeshita government which has been severely damaged by the Recruit share sale scandal. The Government has also been accused for distributing the money under a programme that will win it a considerable amount of publicity, while at the same time cutting back on the amount of regular aid it gives to the regions.

From a longer-term perspective, however, the "furusato programme" could have a positive effect in boosting morale in the regional areas of Japan, said Professor Takashi Inoguchi, professor of political science at the University of Tokyo.

According to Mr Inoguchi under former Prime Minister Nakasone, Japan underwent a great internationalisation phase. The message that the "furusato programme" sends to the regions is that this time the Government is watching out for the "country folk."

While recognising that the greatest impact of the programme may be to bring about a measure of political stability, by winning votes to the ruling Liberal Democratic Party, Mr Inoguchi also believes it could benefit the regions psychologically. There could be a "slight change of social mood from international to more folksy."

S Korean cabinet reshuffle likely soon

By Maggie Ford in Seoul

A MAJOR Cabinet reshuffle is likely to follow the military personnel changes announced on Tuesday by South Korean President Roh Tae Woo.

The removal of a number of senior military men appointed by former President Chun Doo Hwan before he stepped down last year is expected to consolidate Mr Roh's authority.

The President has been under attack from hardliners in the Government for what they see as his weak resolve in cracking down on dissident and left wing groups.

Among those to be removed were Gen Min Byung Don, superintendent of the Korea Military Academy, who strongly criticised the President in a speech last week. The majority of those promoted are thought to be professional officers who are not interested in political intervention.

Mr Kim Dae Jung, the chief opposition leader, who warned on Monday of the danger of intervention by military hardliners, yesterday welcomed the changes as an encouraging development towards the political neutrality of the army.

The Cahinet reshuffle is likely to focus on the Ministers in charge of national security and home affairs. These Ministers may be held responsible for failing to prevent the visit to North Korea of a leading dissident, the Rev Moon Ik Hwan.

Visits to the Communist North without permission are banned under South Korea's national security law, but it emerged yesterday that some members of the Government may have known abont the planned visit in advance.

Mr Moon, who atrongly favours reunification of the two Koreas, is expected to be arrested on his return, and the Government announced that he would not be allowed to return via the border village of Panmunjom, a trip which would evoke great symbolism.

Mr Moon'a clandestine visit has provoked outrage among conservatives and hardliners already confused by Mr Roh's policy of opening up contacts with Eastern bloc countries.

Sharp fall in current account surplus

By Our Seoul Correspondent

THE South Korean economy continued its adjustment from export to import growth last month, registering a current account surplus of $405m, down from $1bn in the same month last year.

Imports rose 19 per cent and exports 4 per cent, according to the Bank of Korea, the central bank, for a trade surplus of $326m compared with last year'a $805m.

The February figures reflect a strong performance by high value added exports with electronics np 25 per cent and machinery 22 per cent. Footwear exports decreased 23 per cent, reflecting companies' moves offshore to lower cost countries. Car exports were down 17 per cent due to labour disputes and a switch into domestic sales.

South Korean exporters achieved a etartling growth rate for February 1988 of 40 per cent and factories were not shut down last year for the lunar new year holiday. This year's February year on year increase of 4 per cent therefore suggests that worries about the economy are not justified.

Major efforts to adjust the trade surplus with the US to avoid protectionist pressures appear to be having an effect with February's surplus down from $624m last year to $417m.

The Bank forecast a current account surplus for the year of $9.8bn, *down from last year's $14.3bn.*

British MPs back Israeli on spy charges

By Andrew Whitley in Tel Aviv

AN ISRAELI-ARAB trades unionist said to have smuggled classified information to the British left-wing faction, Militant Tendency, went on trial in Tel Aviv yesterday, charged with aggravated espionage and attempted arson.

The case of Mr Mahmoud Masarwa, from the northern village of Baka al-Gharbiya, is being championed by two British Members of Parliament, Mr Dave Nellist and Mr Terry Fields, both of the Labour Party.

After visiting Mr Masawa in a top security prison last January, Mr Nellist said the authorities had singled out the 40-year-old carpenter because of his activities as a grassroots organiser of factory strikes.

British Prime Minister Margaret Thatcher said she had excellent talks on Wednesday with President Robert Mugabe of Zimbabwe about South Africa and Namibia. The two leaders held a 30-minute private meeting at State House in Harare.

Six South Africans seek asylum in UK embassy

By Jim Jones in Johannesburg

SIX former political detainees sought asylum in the British embassy in Pretoria yesterday in protest at restrictions placed on them afer their release from detention.

Another man, who had been held without trial since last September and was on a hunger strike, escaped from a Durban hospital yesterday morning and took refuge in the US consulate in Johannesburg.

A US consular official said the man, Mr Simon Ntombela, was demanding his unconditional freedom. "We are in touch with the South African government with a view to resolving this case as expeditiously as possible," he added.

The six former detainees – five men and a woman – called on the British embassy to intervena with the South African governmant to lift their restriction orders. They are members of organisations affiliated to the United Democratic Front.

The ambassy repeated the British government's opposition to detention without trial and to restrictions. A diplomat said that the embassy was willing to draw the South African government'a attention to the six's demands but that their case was not helped by their presence in the embassy. They could not stay indefinitely and should leave, he added.

He said the embassy was awaiting instructions from London and had not decided late yesterday whether to grant asylum.

Last week four detainees on hunger strike escaped from hospital in Johannesburg and took refuge in the West German embassy in Pretoria until Mr Adriaan Vlok, Law and Order Minister, announced they had been freed from detention.

After last week's escapes the government said detainees on hunger strike would be moved to Bloemfontein. About 133 emergency detainees are being held in the Durban area and 17 are believed to be on hunger strike.

Mr Donsie Khumalo, one of the six seeking asylum at the British embassy, was released from detention last week after becoming seriously ill while on hunger strike in protest at his detention without trial.

On his release Mr Khumalo, tha northern Transvaal regional secretary of the Congress of South African Trade Unions, was barred from political activity, confined to his house between 6pm and 6am and ordered to report to police twice a day.

Mr Khumalo's five colleagues – Mr Ignatius Jacobs, Miss Grace Dube, Mr Selebogo Mabena, Mr Sandy Lebese and Mr Michael Seloane – were also heavily restricted on their recent release from detention and said this was "tantamount to being detained."

It is believed the six chose the British embassy as their action coincided with Mrs Thatcher's visit to Zimbabwe.

The European Commission has demanded an explanation from the South African Government of a raid by security police on the Durban offices of the Kagiso Trust, an EC-backed human rights organisation, writes William Dawkins in Brussels.

South African officials said Pretoria was considering its reply to the complaint, delivered to Dr Bhadra Ranchod, the country'a Ambassador to the EC.

The trust's lawyer – now in hiding – surprised two policemen during the raid last week.

The Kagiso Trust is the biggest single beneficiary of the EC's so-called "positive measures" for South Africa. It receives and redistributes roughly half of the EC'a aid, a total of Ecu25m this year.

Malawi's economy needs end to Mozambique war

Mike Hall on what Mrs Thatcher will find

THERE is mnch in Malawi of which Mrs Thatcher will approve when she arrives tomorrow. Privatisation, a strong work ethic, and a president who not only agrees with her stand on Sonth Africa, but above all likes the British.

The 'warm heart of the real Africa' is how the tourist brochuree describe it. Mrs Thatcher might find that somehow appropriate, for Malawi - one of the poorest countries in the world - is also burdened by problems that are common across the entire continent.

She is the first British prime minister to visit this small southern African country since it gained independence from Britain in 1964.

After 25 years the British are still much in evidence and play a significant role in the economy: from expatriate professionals to companies like Lonrho and Unilever.

Though Britain has lost out to Sonth Africa as Malawi's biggest source of imports, it still takes the largest share of Malawi's exports - principally tea and tobacco.

At over £30m pounds a year, it is also the largest aid donor when contributions to member states of the Southern African Development Co-operation Conference - which includes Malawi - are counted.

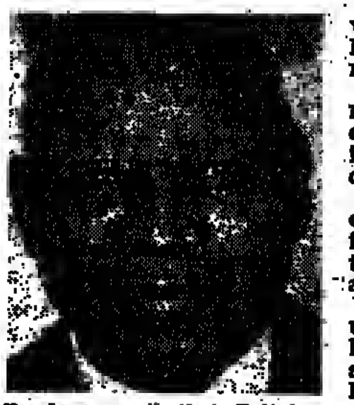
Mrs Thatcher could find few African leaders more favourably disposed towards Britain than the life president, Dr Hastings Kamuzu Banda, now thought to be in his late 80s.

He has ruled the country since independence and opposition is not tolerated. The four guiding principles of the ruling Congress Party are unity, loyalty, obedience, and discipline

Like Mrs Thatcher, Dr Banda has refused to support any calls for sanctions against South Africa, on which Malawi depends for key imports and transport routes.

The president believes in contact and dialogua and Malawi is the only country in sonthern Africa to have an embassy in Pretoria.

Britain will shortly sign another aid deal with Malawi, indicating its approval of the economic adjustmant programme sponsored by the IMF and the World Bank which is one of the longest running in Africa.



Banda: sympathetic to Britain

After independance the essentially agricultural economy grew at a steady 6 per cent. But in the late 70s, rising import costs, collapsing commodity prices, a drought and transport bottlenecks began a downward spiral.

Structural adjustment began in 1981, but Malawi has still not fully recovered.

Between 1982 and 1985, GDP grew at an annual average of 4.1 per cent. In 1986 it was only 2.8 per cent.

Agricultural performance was not bad. In 1984/5 Malawi exported 180,000 tonnes of maize to drought-stricken African countries. Food exports continued at lower levels to 1986.

But 1987 was a bad year. Food had to be imported after a crop failure brought about by pests and drought, and the influx of thousands of refugees from Mozambique.

In 1987 the economy contracted by 0.2 per cent. The 1986/87 fiscal deficit rose again to 12.5 per cent of GDP. The deterioration was the cumulative result of a series of external shocks.

Principal among these was the closure of the railway line that linked Malawi with the Indian Ocean port of Nacala in Mozambique due to MNR rebel activity.

Transport costs rocketed. Last year Malawi spent $77m on transportation.

Export commodity prices declined on average by 15 per cent as unforeseen public spending and the burgeoning number of refugees from across the border increased.

The debt service ratio, running at 48 per cent of exports, was an added strain. But Malawi has never defaulted on repayments.

Imports were cut back by reducing foreign exchange allocations to government and industry. The kwacha was devalued and inflation soared.

Production declined, with capacity in some industries falling to 40 per cent because there were fewer spare parts and little new investment.

The poorest people in both urban and rural areas have been hit badly with a sizeable section of the population now living in absolute poverty.

These are the problems of the real Africa.

The thrust of the recovery programme was the belief that the key to economic growth lay with the private sector.

The government sacrificed its share of foreign and domestic capital in favour of the private sector and the procedure for securing foreign exchange was liberalised.

By mid-1988, say local businessmen, things began to pick-up.

Against the negative figure for 1987, last year economic growth is estimated to be 3.6 *per cent - almost even with* population growth at 3.7.

External payments have been current since early 1988. The fiscal deficit for 1988/89 has been just 7 per cent of GDP.

The question is whether this apparent recovery can be maintained and for how long. Francis Pelekamoyo, deputy governor of the reserve bank, is confident.

We will ensure growth is sustained through the adoption of prudent economic and financial management, he says.

But if the government's programme is to succeed, say finance officials, the private sector will have to add value, substitute imports and diversify exports.

Growth will also have to be sustained with aid, says Pelekamoyo, with the help of friendly countries - like Britain.

But what Malawi needs most is an end to the war in Mozambique. Refugees will go back and transport routes could reopen.

If Mrs Thatcher gives some assurance that she will press for this, then many Malawians will be a lot happier.

Washington warms to trade with Moscow

A campaign is afoot to ease the ban on credits and benefits, Nancy Dunne writes

FIFTEEN YEARS ago, former congressman Mr Charles Vanik set in action the successful effort in the US House of Representatives to deny US trade benefits to the Soviet Union and other Eastern Bloc countries which restricted emigration.

Now, convinced that the "Evil Empire" is being transformed, he is leading e campaign for the lifting – for at least a year – of the ban on credits and trade benefits then denied under the Jackson-Vanik Amendment.

The Jackson-Vanik Amendment, sponsored by Mr Vanik and the late Senator Mr Henry "Scoop" Jackson, cleared Congress in 1974 after the Soviet Union imposed a steep tax on emigrants witb higher academic degrees, most of whom were Jews.

Besides prohibiting trade credits and guarantees, it denied Soviet and other bloc countries Most Favoured Nation status, thus adding a tariff worth about one-third to the value of Soviet goods coming into the country.

Tbe amendment can be waived for one year if the White House reports to Congress that doing so would "substantially promote" its objectives. Congress must pass a concurrent resolution approving the waiver. So far, China, Hungary, and Romania have been granted annual waivers.

Mr Vanik is hoping for action as early as this coming June, when the administration generally announces similar actions.

In e recent speech, he said emigration levels appeared to be moving into an annual range of between 38,000 and 43,000. Italy is now swamped with 6,000 Soviet applicants awaiting a country of refuge, and the US is preparing to admit between 50,000 and 60,000 emigrants this year.

The movement to normalise US-Soviet relations has been gathering increasing support. The Soviet Union's stated intention to repeal all laws restricting religious activities and customs has helped to bring on board the American Jewish Congress end ths National Jewish Community Relations Advisory Council, and other Jewish groups have announced that they are reassessing their positions.

In December Congressman Mr Bill Frenzel, a Minnesota Republican, and Congressman Mr Pete Stark, a California Democrat, issued a joint statement calling for e new dialogue over a return to normal US-Soviet trade relations.

"Ths goal is basic human rights, normal trading relations and increased economic activity," they said.

"That goal will most likely be gained in small steps. What will be required is that the US has sufficient negotiating flexibility to take advantage of what seem to be promising opportunities."

The Bush Administration, still in the process of developing its Soviet policy, has not yet formalised its position on Jackson-Vanik. Last month, Mr James Baker, the US Secretary of State,told the House Foreign Affairs Committee that although the Soviet Union had made "rather remarkable strides" in their human rights and emigration policies, "there's more that needs to be done."

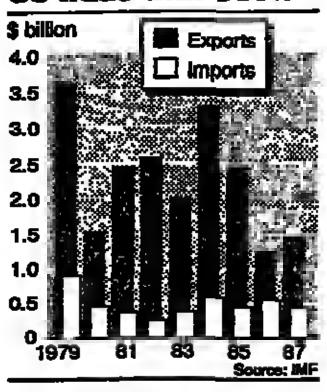
However, if the Administration does decide to push for a waiver this year, Mr Baker's excellent relations with Congress, and his ability to fashion compromise, augur well for its chances of approval.

At this point, there are hardliners on both sides of the issue. Some business groups want e five-year waiver on the grounds that a long lead-time is needed to build up extensive commerce and joint ventures.

US farm organisations, which have the biggest stake in American exports, have already gone on record in favour of the waiver.

On the other hand, there are conservatives ready to oppose liberalisation until every person desiring to emigrate is out of Soviet Union. There may also be resistance from organised labour, which sees increased exports from anywhere as e threat to US jobs.

US trade with USSR



Source: IMF

Mr Vanik is urging that whatever initiatives are approved should be "unencumbered by unrelated conditions for the benefit of any sector of the American economy or the commercial interests of any other nation". Waivers in any succeeding years should be granted perfunctorily, if conditions and circumstances in the Soviet Union warrant it, he said.

"Farmers, producers, processors and manufacturers can develop profitable trade activities if the rules of trade are clearly settled and established for a reasonable period of time. Nothing destroys trade more certainly than uncertainty."

A waiver of Jackson-Vanik is not likely to produce an immediate flood of Soviet exports to the US, which in any case rose last year to a record $1.7bn (£1bn).

But it would represent another advance in the improving atmosphere, symbolised early this month by a celebration thrown at the Soviet Embassy in Washington to mark the appearance of a new super-vodka called Stolichnaya Cristall, which is to be distributed by Pepsico.

US-Soviet joint ventures and other co-operative deals have been gathering momentum recently. In fact, two large Washington law firms – Arnold & Porter and Burchette, Ruckert & Rothwell – have set up offices in Moscow with Soviet partners to advise American companies and to negotiate future arrangements.

New Soviet rules designed to cut bureaucratic delays and to sanction some rouble conversions are expected to hasten the pace of dealmaking. Other joint ventures, however, are mired in currency difficulties.

Japanese drop Korea knitwear action

A DISPUTE over surging South Korean knitwear exports to Japan ended formally yesterday, when Japanese knitwear producers dropped a dumping suit against Korean counterparts, AP-DJ reports from Tokyo.

Japanese officials said Mr Yasuyuki Nagashio, president of the Japan Knitwear Industry Association, had asked for withdrawal of the suit.

The move had been expected since early February when knitwear producers from the two countries agreed on e plan to limit South Korean knitwear exports to Japan.

Under the agreement, South Korean producers will voluntarily hold down year-on-year growth of their knitwear exports to Japan within 1 per cent every year until 1991.

Korean makers are also expected to try to prevent their products from being priced unacceptably cheaply in Japan. The agreement will set "floor prices" for South Korean knitwear products entering Japan.

Yesterday's action averted a possible investigation into the association's allegation that certain Korean knitwear prodncts were dumped on the Japanese market.

US may retaliate over Canada fish export curbs

CANADA'S export restrictions on some unprocessed fish have been labelled by Mrs Carla Hills, US Trade Representative, as unfair, and hearings have been set for next month to determine retaliatory tariffs and other trade restrictions, Agencies report from Washington.

Mrs Hills said a US inter-agency committee would hold hearings to determine which Canadian exports could be assessed for higher tariffs or other trade restrictions.

It had been more than a year since Canada's fish export restrictions were found illegal under the General Agreement on Tariffs and Trade, Mrs Hills added.

There was no indication what Canadian exports would be hit by the new tariffs or other restrictions, or the value of the exports targeted.

The US Trade Representative said that under Canada's export restrictions, Canadian fishermen were prohibited from selling unprocessed herring, and pink and sockeye salmon to American processors.

A Gatt panel, she said, had rejected Canada's argument that the prohibition was a legitimate conservation measure.

The US had since the middle of 1986 been urging Canada to lift trade restrictions that prohibit Canadian fishermen from selling unprocessed herring and salmon to US processing companies, primarily in the Pacific north-west region. "I see no choice at this time but to take action."

US trade officials later said the new restrictions would be levied against Canadian lobsters and fresh, frozen, smoked and processed fish shipments to the US, and the value of the exports hit would be decided by the inter-agency panel.

David Owen adds from Toronto: Canadian officials described the US moves as a negotiating ploy, adding that the dispute had been simmering for more than two years.

"This is not really a surprise to us," said Mr Rob Morely, executive director of the Fisheries Council of British Columbia.

"They have been threatening for months to invoke this measure – we wondered if they were ever going to do it."

US to keep curbs on Japan over chips, says Hills

THE US will continue trade sanctions against Japan until there is "firm and convincing evidence" that Japan is opening up its market for imports of US-manufactured semiconductors, Mrs Carla Hills, the US Trade Representative, has said, agencies report.

In e letter to Representative Richard Gephardt (Democrat, Missouri), Mrs Hills also indicated that Japan will be named in an April 30 White House report to Congress as one of the countries that maintain unfair trade barriers to US exports.

A Japanese trade official said the inclusion of Japan's microchip market on a US government list of unfair trade practices was routine.

"The inclusion itself is not news for us," he stated. "What is more important is the judgment about implementation of the (1986 US-Japan microchip) agreement."

Mr Gephardt said on Tuesday that Japan's chip market would be on the list, which is called the National Trade Estimate.

The list, which includes nations with alleged unfair trade practices, will be sent to Congress by Mrs Hills on April 30.

The official said Mrs Hills had 30 days after April 30 to target "priority" nations for special negotiations and possible sanctions.

Mr Gephardt said Japan would be cited under last year's trade act for its "continued violations" of a 1986 agreement to open its home market to US microchips, and ultimately could face new trade sanctions.

Washington imposed [illegible] per cent tariffs on [illegible] worth of Japanese exports in the pact's first year for Japan's alleged failure to honour a pledge under the agreement to give foreign makers greater market access.

Congressman seeks sanctions over timber trade barriers

A US Congressman yesterday urged the Administration to impose trade sanctions against Japan in an effort to force the lifting of trade barriers that block imports of US wood prodncts worth up to $1.2bn (£705m) a year, AP-DJ reports from Washington.

"*These are strong actions* in contemplate," Representative Ron Wyden (Democrat, Oregon) said in a letter to Mrs Carla Hills, US Trade Representative.

"But we believe the record of Japanese restrictions with respect in wood products may be among the most onerous in the Pacific Rim."

Mr Wyden asked Mrs Hills to investigate allegations from the National Forest Products Association that the Japanese use dnties, *licensing* constraints, exclusive distribution arrangements and huilding code restrictions in block imports of US wood products into their markets.

Mr Wyden said that once the investigation was complete, Mrs Hills could, under federal law, recommend specific "remedies" to the president.

Recent amendments to the 1974 Trade Act "would then require the president to take agressive action against these foreign trade barriers, up to and including counter-measures affecting Japanese imports to the US, if a satisfactory resolution cannot be negotiated".

Japan recently refused to reopen so-called "sector-specific" talks on forestry products – talks Mr Wyden said "offered what appeared to be the surest and swiftest solution to these trade problems".

The National Forest Productions Association said that Japanese barriers affect such US products as softwood and hardwood logs and lumber, plywood, veneer, millwork, laminated wood products, waferboard and particleboard.

While $2.2bn-worth of US wood products were sold in Japan last year, over 70 per cent involved raw materials, the association added.

Japanese groups 'revive Tasmania pulp mill plan'

THE government of Tasmania has received proposals for an export-pulp mill from several Japanese companies, a spokesman for Tasmania's Premier Robin Gray said, AP-DJ reports from Hobart.

A proposed A$1bn (£480m) mill project for Tasmania was abandoned on March 15 after joint-venturers North Broken Hill Peko of Australia and Noranda Forest Inc. of Canada said pollution controls imposed by the Australian government were too stringent.

The Tasmanian government on Saturday called for expressions of interest in a replacement project, and Mr Gray met a number of Japanese companies in Tokyo late on Monday, a spokesman said.

"The premier has found the Japanese quite interested in a new project, and several companies are keen to make full feasibility studies.

"But they want the (Australian) federal government to issue clear environmental guidelines before they will proceed," the spokesman added.

Most of the proposals include an Australian joint-venture partner.

One Japanese company has proposed a A$500m chlorine bleaching mill. The Japanese companies did not want in be named, the spokesman added.

Eximbank backs India loan

THE US Export-Import Bank has approved a $25m (£14.7m) loan to the State Bank of India to help finance US export transactions, AP-DJ reports from Washington.

The Eximbank said various companies in India will be able in get sub-loans to cover 85 per cent of their purchases of goods and services from US suppliers, in amounts ranging from $200,000 to $5m per transaction.

The State Bank of India, the country"s leading commercial bank and one of India's major institutions for promoting economic development, will process the loan applications and guarantee the credits, the Eximbank said.

London congestion 'costs industry £15bn a year'

By Rachel Johnson

TRAFFIC CHAOS caused by a *dilapidated and inadequate* transport system in London is costing British industry £15bn a year, according *to* a survey on the commercial impact of traffic problems.

London's transport infrastructure is a "major problem" which should be handled by a separate senior minister, according to the Confederation *of British Industry (CBI)*, the employers' organisation.

The CBI criticises the Department of Transport for confused planning and recommends the establishment of a transport task force in London, which should be designated a "transport priority zone."

Six major companies said London operations cost them an extra £30m a year in administration and delivery costs. *They claim annual congestion* costs in the capital have been multiplied five times by lost production hours, late arrival of staff, increased fuel consumption, the CBI claims.

Traffic problems add £10.4m to Royal Mail's operating costs and result in a slower postal service, while British Telecom said it would save £7.25m if its *vehicles could travel just* 1.4mph faster in the London.

Although the supermarket retailer J Sainsbury makes over half its deliveries before 7.30am, traffic jams and low average speeds cost it £3.4m a year. The Marks and Spencer department store group estimates the problems of making deliveries in the capital add a financial burden of £2m a year.

The overall results of the *survey show* London is 20 per cent more expensive than any other UK city.

London's current "transport deprivation" is a result of decades of neglect, says the CBI.

Among shorter term initiatives, the CBI suggests there should be a crackdown on illegal parking, the reduction of *daytime roadworks* and deliveries, and more clamping and on the spot fines.

Long-term projects to solve worsening traffic problems include converting under used railway lines and goods yards into roads and car parks, providing a rapid transit service for the Thames, and extending the Docklands Light Railway into Kent.

Cost of hotel room in capital up 7%

THE average cost of a London hotel room last year rose by 7.3 per cent last year to £66.51, says a report on the capital's hotels published yesterday, writes David Churchill.

The report, by hotel consultants Pannell Kerr Forster, was based on a survey of 56 hotels of all grades and prices.

It revealed that the level of room occupancy in the capital last year fell by 5.3 per cent to 77 per cent.

Mr Alan Hopper, managing director of Pannell Kerr Forster, said the survey indicated "clear evidence of visitors downgrading in search for value for money in 1988."

The survey showed that luxury hotels – those costing more than £130 a night – were hit by the stock market crash in late 1987 and a slump in bookings continued in 1988.

The consultants are optimistic, however, about the level of demand for London hotel rooms this year. "Occupancy is predicted to be high with achieved room rates running in line with inflation," it says.

British Gas chairman to retire

By Lucy Kellaway

SIR Denis Rooke, one of the most outspoken characters in British industry is to retire as chairman of British Gas when his term expires this summer. He is to be replaced by Mr Robert Evans, the 61-year-old chief executive, who has agreed to fill both roles for the next five years.

"In a few days time I shall reach my 65th birthday and shortly will complete 40 years service with the British Gas Industry. I have decided that the time has come when, after 13 years, I should relinquish the Chairmanship of this great *and successful company*", *Sir* Denis said yesterday.

Mr Evans, who was not well known outside the gas industry, has long been tipped as the next chairman. There had been hopes within City of London financial markets that an outsider to the industry would be found for the position.

He joined the company in 1950 as an engineer, and became chief executive when the company was privatised in 1986.

Mr Evans said yesterday that he planned a "fairly fundamental organisational restructuring of the company which would not be complete when I reach 65, so I have asked for a five year term."

Employees opt out of company pensions

By Eric Short, Pensions Correspondent

MANY company pension schemes in *Britain are in danger* of withering on the vine through lack of new entrants according to a survey made by leading consulting actuaries, R. Watson and Sons, on the reactions of employers and employees to the new pensions environment.

One of the major changes made as from April 6 1988 in the pension framework was the right of employees to opt or not join their employer's company pension scheme.

R. Watson, the UK's largest *pension advisory firm* covering 60 per cent of the market by numbers of employees, sought *information from over 300* client schemes with nearly 1.8m members and combined assets of around £69bn.

One particular aspect of the survey related to the effect of voluntary membership on numbers in company schemes.

Not surprisingly, inertia on the part of employees was an overriding factor in determining employee attitudes.

By the end of 1988 fewer than 0.5 per cent of employees who were already members of schemes had used their new rights and opted out of membership.

Nearly half the schemes *reported no members* opting out and only 2 per cent where at least 5 per cent of members had gone all from smaller schemes.

These findings confirm those of previous surveys by the National Association of Pension Funds and others.

However, the survey also found that on average 10 per cent of employees *eligible to* join the company scheme had decided not to do so.

Indeed, for many schemes, including some very large schemes, the proportion of employees not joining was as high as 50 per cent or more.

This lack of interest in pensions by new employees is far more widespread than previously envisaged.

The refusal to join the company scheme is not arising as a result of employees preferring or being sold personal pensions – less than one-in-ten employees not joining had taken out alternative personal *pensions*.

The survey shows that the vast majority of employers undertook a mass communications campaign last year to sell the merits of the company scheme to employees.

Management pay rises fall behind directors'

By Michael Skapinker

PAY RISES for managers are trailing those to directors, says a survey issued today by the Reward Group. The basic pay of managers below director level rose by 8.5 per cent in the year to January, it says.

A survey by Charterhouse, the merchant banking and financial services group, last week showed directors' basic pay had risen by 14.3 per cent.

Reward's survey found the level of bonus payments made to managers below board level had fallen. Managers' total pay had thus risen by only 7.5 per cent. Reward's survey covers more than 25,000 employees, from senior managers, excluding directors, down to first-line supervisors.

Reward said the pay gap between south-east England and the rest of Britain appeared to be widening again after narrowing last year.

Reward Management Salary Survey. Reward Group, Reward House, Diamond Way, Stone Business Park, Stone, Staffordshire ST15 OSD. £100 a single copy. £160 annual subscription for two issues.

Teachers vote for selective pay action

By John Gapper and David Thomas

BRITAIN's two biggest teaching unions yesterday voted to back selective industrial action from next year in protest at Government constraints on pay, and plans to devolve financial management to individual schools.

The National Union of Teachers voted at its annual conference in Blackpool to back local strikes by teachers trying to protect pay and conditions from the effects of Government plans to devolve financial management to schools.

But the NUT's leadership fought off a motion by left wing members to commit the union to extended strikes this autumn in pursuit of a £2,500 flat rate pay rise. It was defeated by 94,521 votes to 82,849.

The closeness of the vote – seen by NUT leaders as the most important for several years – has thrown the leadership's strategy of moving the union in a more moderate direction into some disarray.

During a passionately divided debate on pay strikes, the left's pay motion was attacked for risking a haemorrhage of members from the 192,000-strong union and for misreading *the willingness* of teachers to strike.

The National Association of Schoolmasters Union of Women Teachers (NASUWT) voted at its Eastbourne conference to back industrial action if needed to make the Government fund a higher annual pay increase for teachers next year.

Mr Fred Smithies, NASUWT general secretary, said the vote was "a warning shot across the bows" of Mr Kenneth Baker, Education Secretary.

Mr Baker last night criticised the votes as "ill-directed threats of classroom disruption" which would be damaging to teachers' image.

NUT leaders failed by 3,274 votes to defeat a hard-left motion committing its executive to supporting any local strikes over the devolution to schools of decisions over issues such as hiring and firing and incentive pay.

Poll tax may earn Post Office £60m

By Hugo Dixon

THE POST OFFICE yesterday launched a campaign to capture a share of the market for administrating community charge payments, which could bring it extra revenues of £60m a year.

Critics of the charge, or poll tax, have said that it will be costlier to collect than the rates, or property taxes, which the new levy will replace in Scotland on April 1 and in England a year later.

Collection costs will be higher since more people will be obliged to pay poll tax which applies, with few exceptions, to all adults rather than just those owning or renting property. Many will not have bank accounts, which will raise the average costs of collecting payments, the Post Office said.

The Post Office claims that it will not be economical for local authorities to set up their own collection systems and that its experience in collecting rates and rent for many local authorities gives it an advantage over rivals such as banks and building societies.

A package of collection services has been prepared by three Post Office subsidiaries – Girobank, Post Office Counters, and the Royal Mail – to persuade local authorities to put business its way.

Together, these services will generate extra revenue of about £60m a year, if the Post Office's expectations for Scotland, where the first poll tax payments are due next month, are repeated in England and Wales. The Post Office About 30 per cent of Scots will pay their poll tax at post offices, it estimates.

Local authorities will be able to offer their taxpayers two main options for paying at post offices. The Post Office will recover its administration *costs by charging local authorities* on each transaction.

County loses third of merchant clients

By Clive Wolman

COUNTY NATWEST, the UK investment banking arm of National Westminster, has lost more than a third of its merchant bank corporate clients in the last year and has slumped in ranking from fifth to ninth according to a survey published today.

The other big losers in Britain's merchant bank league tables, which appear in the latest annual edition of Crawford's Directory of City Connections, have been Morgan Grenfell, *whose client list* shortened by 20 per cent, and Hill Samuel. It lost 16 per cent of clients and fell from first to third position.

The Crawford's lists are compiled only from companies quoted on the Stock Exchange (including the Third Market)which are UK domiciled with sterling denominated share capital. Joint advisers to a company score only half a point.

The most spectacular gains have been made by Lazard Brothers, which enjoyed a 40 per cent increase in a list of clients, boosting the bank's position in the table from 12th to eighth, and S.G. Warburg, which rose from second *to first with a 10 per cent gain.*

Eleven of the top 15 merchant banks suffered a net loss of clients during the year, mainly as a result of increased competition from foreign investment banks such as Goldman Sachs and from new entrants such as James Capel and UBS Phillips and Drew which used to offer only stock*broking services.*

County NatWest's decline can be traced to the organisational difficulties it has faced during the last 2½ years following its over-ambitious expansion into the securities industry and inadequate financial controls.

The biggest losers during the last year have been Shearson Lehman Hutton which lost 40 per cent *of its clients and fell* from 11th to 14th position.

Hill Samuel lost many of leading corporate finance staff at the time of its acquisition by the TSB in the autumn of 1987. *Its former* position as the merchant bank with the largest number of clients in any case overstated its importance as its clientele is heavily concentrated among small and medium sized companies.

By contrast, Lazard's strategy of eschewing acquisitions and large-scale diversifications has allowed it to strengthen its *team* in its core corporate finance activities and project an image of independence.

In corporate stockbroking, Cazenove has retained its dominant position. But Rowe and Pitman, a subsidiary of the Warburg group, and de Zoete and Bevan, a subsidiary of Barclays de Zoete Wedd, have both narrowed the gap.

The increase in the stockbroking clientele of County NatWest is the result of its merger with Wood Mackenzie which brought with it 33 corporate clients. The *rise of James* Capel, the top stockbroking research firm, as a corporate broker was boosted by the winding up of the corporate stockbroking activities of Greenwell Montagu, with which it has an ownership link.

UK NEWS

Personal savings decline to lowest level since 1956

By Ralph Atkins, Economics Staff

THE PROPORTION of income saved by the UK personal sector fell last year to the lowest level since 1956, according to official statistics released yesterday.

Growth in consumer spending outstripped increases in incomes to continue a decline in the savings ratio since the early 1980s, figures from the Central Statistical Office (CSO) in London show. However, the ratio picked up slightly in the last three months of last year.

Other CSO figures showed that profits of non-North Sea oil companies grew by a fifth last year. This was accompanied by exceptionally strong dividend payments, which in turn fed through to boost personal incomes.

Gross trading profits of North Sea oil companies, however, fell 19 per cent in the last three months of the year and were 36 per cent lower than in the corresponding period a year before.

Together, the figures underline the buoyancy of the UK economy last year with both incomes and profits rising rapidly. In spite of the steep rise in interest rates, growth is likely to continue into the early part of this year.

Mr Kevin Gardiner, UK economist at Warburg Securities, said: "There is a lot of momentum out there and it is extremely difficult to see it dropping overnight."

Personal savings as a proportion of after-tax incomes fell to 4.1 per cent, down from 5.6 per cent in 1987 and the lowest since 1955. In the fourth quarter the proportion stood at 4.1 per cent, up from 3.1 per cent in the previous three months.

The CSO said past figures for the savings ratio have been revised sharply upwards, largely because of revisions to figures for wages and salaries. Previously the ratio had been shown as falling to 1.3 per cent in the third quarter.

The savings figures, calculated as the difference between personal disposable incomes and consumer spending, are treated with scepticism by most economists because of large inaccuracies in national financial accounts, although the trend is rarely disputed.

Real personal disposable incomes, after deducting taxes and social security contributions, increased by 5 per cent last year. That was the fastest growth rate since 1979, highlighting the rapid growth in living standards.

Gross trading profits of non-North Sea industrial and commercial companies fell by 6 per cent in the fourth quarter of 1988.

CONFIDENCE among businessmen about the Government's handling of the economy has slipped this month, according to an opinion poll published in Business magazine, writes Ralph Atkins.

The March survey of 500 senior executives in large non-financial companies shows 64 per cent said they were satisfied with the way the Government is running the economy. That compared with 72 per cent and 74 per cent in January and February.

Optimism about the economic outlook has also weakened, although it remains higher than in polls covering the public. In March, 36 per cent of the businessmen said they thought the economy would improve in the next 12 months and 27 per cent thought it would worsen. That compared with 41 per cent and 22 per cent respectively in February.

Tabloids run a paperchase on the scent of scandal

By Raymond Snoddy

IT MAY have lacked some of the historic significance of Stanley's discovery of Livingstone but there was great rejoicing yesterday among Britain's national tabloid newspapers that Pamella had been *FOUND!*

The worldwide search for Pamella Bordes, who hit the headlines as the part-time House of Commons researcher who allegedly boosted her income as a high-class call girl, has ranged everywhere from Paris to Portugal, the US to Indonesia.

It was The Sun – Birtain's biggest selling daily tabloid – which finally ran the former Miss India to earth at the weekend "on steamy Bali, a jungle-covered Indonesian isle in the Indian Ocean."

Pamella, who disappeared after reportedly telling newspapers she could bring down the Government with her tales of scandal in high places, was discovered by a Sun promotions executive on holiday with his girlfriend in a mountain village.

Mr Andrew Kitching saw the lady across the restaurant, spoke to her, a very few words were exchanged and he *took a quick few snaps.*

"He blew it for The Sun. He should have followed her, found out where she was staying and then called in the professionals," said Mr Brian Hitchen, editor of The Daily Star, a paper with some experience of finding missing persons.

Earlier this week the *Star* "found" the skeleton of the missing Lord Lucan – except that it turned out to be the remains of a woman.

Before The Sun managed to get its SUN WORLD EXCLUSIVE on the streets the word had started to seep out and cricket correspondents in Singapore covering Ian Botham's return to the game were dispatched to Bali.

Mr David Montgomery, editor of Today said: "If she's going to come out of hiding and is willing to negotiate its better to have someone on the ground even if its the cricket correspondent."

Today – part of the Murdoch stable *of papers* along with the Sun – splashed with a Pamella story under the by-line of Graham Otway in Bali. Inside the paper Graham Otway, was still in Singapore with Ian Botham.

The Star offered its readers an unashamed spoiler with little new information, *the Daily Mail did not pretend* to have an exclusive and the Daily Express carried the word "exclusive" in such small type it clearly didn't believe it was that exclusive.

The oddest story of all was in the Daily Mirror which appeared to have the strongest, most definitive *Pamella* quotes even though the two reporters covering the story, Frank Thorne and Ramsay Smith, strayed no further than the Mirror's London headquarters.

The Mirror reported: "She said: I'm in fear of my life and I am keeping on the move.

"When the scandal first broke I was happy to stay in London and dodge the press. But then came the face-to-face threat that forced me to change my mind."

"They are third party quotes," said Brian Vine, managing editor of the Daily Mail who had run e practised eye *over the story.*

Mr Vine said the Daily Mail was chasing the story as a political story and not a kiss-and tell story.

"It's just a pack of tabloid papers chasing each others ass," he added dismissively.

Meanwhile The Sun yesterday promised "lots more" today from the steamy hot jungle.

'Pamella Bordes, I presume,' according to Britain's tabloids.

Driver error caused fatal train collision at Purley

By Kevin Brown, *Transport Correspondent*

DRIVER ERROR caused the train collision in south London which killed five people and injured 87 earlier this month, British Rail told a public inquiry yesterday.

Mr Robert Morgan, the driver of an express train from Littlehampton to London, was seriously injured when his train collided with a slow train at Purley, south London.

Mr David Burton, deputy general manager of BR's Southern Region, said an internal inquiry had found no malfunction in the braking equipment or warning system on the Littlehampton to Victoria train.

There was no fault with the signalling equipment. Human error had been responsible for the accident, he said.

Labour Party initiative to reduce world debt

By Tom Lynch

INITIATIVES to tackle the world debt crisis, including reducing multilateral debt and increasing British aid, have been proposed by Mr John Smith, the opposition Labour Party's chief Treasury spokesman.

Speaking to the Overseas Development Institute and the Royal Institute for International Affairs in London last night, Mr Smith proposed a new international financial body, capitalised by creditor governments, to offer fixed interest bonds against which commercial banks could exchange at a discount some of their loans to developing countries.

Ahead of next week's spring meeting of the International Monetary Fund and the World Bank, Mr Smith argued it was *inevitable* that public funds would be used to help the commercial banks – taxpayers were already giving relief to bad debt provision and suffering from lower trade and employment – and said that his scheme would reduce the burden on debtor nations, stimulate development and trade and improve the banks' balance sheets.

Equity swaps and other financing options would not restore the creditworthiness of the Third World. "Balance sheet tricks are no substitute for gaining extra real resources for investment," he said.

Instead, a "co-operative and explicitly political solution" to the debt crisis was needed, involving a bargain between private and public debtors and creditors to achieve debt reductions thet would boost trade.

Mr Smith said "the weary treadmill of austerity and rescheduling" would expose Latin America to an economic He *rejected a generalised* write-off of Latin American liabilities, calling instead for a case-by-case approach based on phased debt reduction.

Securities watchdog to announce rise in fees

By Richard Waters

THE Securities and Investments Board, the umbrella regulatory body in UK financial markets, will today announce fee increases which will push up the costs of regulation significantly for many investment businesses.

The rises, which are paid by the self-regulating organisations (SROs) and recognised professional bodies and passed on to their members, result mainly from a failure by the Board to anticipate the costs of enforcing the Financial Services Act – the legislative framework which set up the City of London financial market's self-regulatory regime.

The costs of investigating firms and keeping a central register of investment businesses, has exceeded expectations, the SIB said.

The three chartered accountancy bodies, which regulate 8,000 accountancy firms involved in investment business, face some of the steepest rises. Fees charged to their members will rise by 44 per cent.

This follows a 138 per cent increase in the last two years in the fees they pay to the SIB.

The fee for an accountant in business alone and engaged in the lowest category of investment advice will have increased from £180 to £260 a year.

Members of the Life Assurance and Unit Trust Regulatory Organisation (Lautro) are likely to face a rise of similar proportions, although Mr Malcolm Reed, its chief executive, declined to put a figure on the rise yesterday.

The fees which Lautro pays to the SIB will rise from £1.3m to £2.8m a year, which suggests a substantial increase in the overall costs of the organisation.

The rise in the Lautro bill in part represents a reallocation of the costs of regulation between it and the Financial Intermediaries Managers and Brokers Regulatory Association (Fimbra).

Fimbra argued successfully that the costs of regulation should fall more heavily on life assurance companies and others, which, as producers of financial "products", could pass the cost on to consumers, rather than on its own members, which are left bearing the extra costs themselves.

Fimbra said yesterday its members faced fee increases this year of under 10 per cent.

Cost increases faced by members of other regulatory bodies will vary and differ in some cases from suggestions put forward in a consultative paper at the end of last year, the SIB said.

Brewers reject monopoly charges

By Lisa Wood

A MEETING of more than 90 UK brewers in London yesterday ended with unanimous rejection of the recent Monopolies and Mergers Commission claim that a complex monopoly existed within their industry, but apparently without a clash between smaller and larger brewing companies.

There had been speculation before the meeting that those brewers which had publicly expressed any favourable opinions towards the report – in particular the regional brewers – may find themselves in conflict with their larger brethren.

The report's recommendation, for instance, that no brewer should own more than 2,000 pubs would mean that big brewers would have to divest pubs. It was interpreted by some smaller regional brewers, however, as offering opportunities for growth.

In the event, though the meeting, behind the closed doors of the Brewers Society, *was generally low key*, according to one participant. "It would be disappointing if further meetings produced the same results," he said.

"There was no great action plan about the report, rather a report by the Society's *legal* and economic people, some comment by brewers as to how the report affected them, a series of questions and agreement on a bland press release.

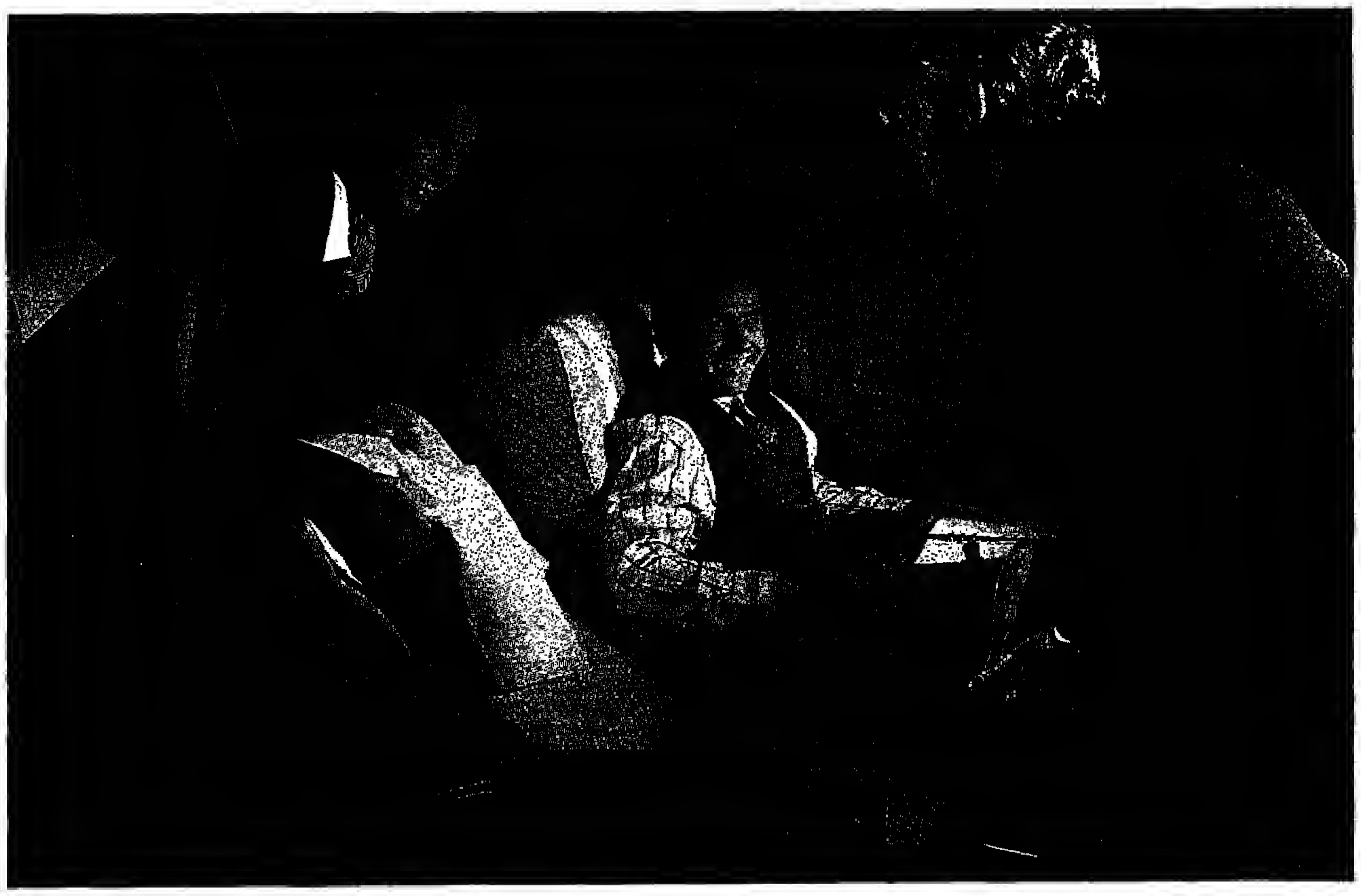
Two regional brewers, Wolverhampton & Dudley, from the Midlands and Greene King, in south east England, pointed out that some recommendations suited them better than other brewers.

One participant suggested that the small brewers should have the opportunity of meeting at the Society without the big brewers being present – not because of any conflict between them, but so that they could feel free to voice particular concerns.

Among the MMC's recommendations is that all pub tenants have the right to sell one draught beer of their choice. Many regional brewers fear that this could result in their tenants taking the nationally advertised and competitively priced brands of the big brewers.

Brewers, said the Society, unanimously rejected the MMC's finding that a complex monopoly existed within the industry and that it operated against the public interest. This finding, said another participant, had caused the industry a lot of "hurt feelings."

Meetings within the brewing industry will continue during the next few months as a collective response to the report is decided upon.



BUSINESS LAW

Growth in international trade law

By A.H. Hermann, Legal Correspondent

The fate of Minorco's £3.2bn bid for Consolidated Gold Fields seems to be squeezed between the timetable of the London Takeover Panel and the travel programme of a judge at the Federal District Court in New York.

Meanwhile, the British creditors of the insolvent International Tin Council are reported to be ready to accept £225m in settlement of £500m, denied to them so far in English courts, while the member states discuss in Geneva how to continue trading, without any fear that they could be disqualified from doing so by the quasi-criminal bankruptcy of their London operation.

At the same time the European Court in Luxembourg is considering a complaint of Hoechst and Dow, the two leading chemical groups, that by its dawn raids and enforcement fines, the EC Commission infringed not only Community rules but also the companies' "human rights" by making searches of their premises without a court warrant – one of the Court'e Advocate Generals already having concluded that the complaint ought to be rejected.

These three examples of the mess in which the public branch of the international trade law finds *itself* at present, have been selected solely for their topicality. Law reports are full of other, possibly better, examples. It all makes rather depressing reading. The statesmen and stateswomen simply do not want to hear that the globalisation of trade calls for a globalisation of trade law.

The private branch of international trade law, however, seems to be doing somewhat better and those thirsting for some good news should read – or at least peruse – Clive M. *Schmitthoff's recently* published Select Essays on International Trade Law. This well produced book of 800 pages is heavy to lift but easy to read. It is the harvest of 50 years of writing and teaching business law, a subject to which Professor Schmitthoff gave an academic distinction of its own.

In contrast to the US, where "business law" often means traditional commercial law presented in a simplified form for better understanding by businessmen without legal training, Schmitthoff's Journal of Business Law has been lending the term a much wider and livelier meaning since 1957 – that of a more sophisticated but always understandable discussion of the interaction of law and commercial practice.

Under another name, such rejuvenation of traditional commercial law by an injection of the creative forces of practice and custom led in the US to the drafting of the Uniform Commercial Code (UCC), a model law formulated by the private effort of lawyers but now enacted, though with variations, by States throughont the Union.

Although commercial law, as developed from the practices of merchants in international trade, had been incorporated into common law by Lord Mansfield, the Scottish lawyer who was Lord Chief Justice from 1756 to 1788, the insularity of English legal practitioners prevailed and the development was discontinued. As a result, the UK has no parallel to the French Code de Com*merce of 1807, or the German* Handelsgesetzbuch of 1861, and nothing, of course, like the more advanced UCC. The internationally important Commercial Court, a division of the High Court in London, still wades through a morass of precedents, often contradictory and always of disputable applicability, thereby exposing parties to a London contract with a London arbitration clause to long drawn out and costly suffering.

To anyone depressed by this state of affairs, Schmitthoff's Selected Essaye will open a more cheerful and optimistic vista. Tracing the development of "export law" – a term he used as the title for his standard work, now *translated* in the languages of all great trading nations – Schmitthoff wrote in 1984 that its develop*ment over the preceding 50* years reflected the technical revolution of transport and telecommunications, as well as the growing interdependence of the countries of the world. This is a fact.

But when he writes: "We are creating today a world-wide new merchant, a new *lex mercatoria*, common to all countries of the world, to those of free market economy in the West and planned economy of the East,to highly industrialised countries and those in the course of development," he is describing the efforts of jurists and international organisations to formulate internationally acceptable trade laws, rather than the legislative acts of states and decisions of courts.

True, the Incoterms of the International Chamber of Commerce, and its Uniform Rules and Practice on Documentary Credits, now enjoy an almost universal acceptance, though they can be made binding only by a suitable reference to them in the contract.

In addition, the United Nations Commission on International Trade Law (Uncitral) and the International Institute for the Unification of Private Law (Unidroit) have done a tremendous amount of useful work and some of the conventions these institutions have drafted have been signed and ratified, though not always so as to give them the force of law. Bnt the Hague-Visby Rules on Bills of Lading, sponsored by the International Law Association, have been enacted in the UK by the Carriage of Goods by Sea Act 1971 as mandatory law, overruling differing provisions which the parties may have included in a bill of lading.

Rather then following the logical structure of the French codifications, these drafts and conventions are mostly arrived at by the empirical method, used by UK's partial codifications, such as the Bills of Exchange Act 1893 (revised in 1979) and the Marine Insurance Act 1906, and by the UCC in the US.

This is a method nearer to the spirit of common law. A gradual progress of work from special unification projects to more general, makes Schmitthoff foresee a third stage, the adoption of a code of international trade law in not too distant future. May he be right! *But in the meantime*, a *formulation* of trade terms, to be adopted by parties in their contracts, may serve as a modest substitute.

Schmitthoff sees the basis of the new law merchant,independent of national laws, in the freedom of contract, in the basic rule common to all systems of law, that agreements freely entered into must be observed, and in the possibility of resolving disputes by arbitration free to follow international custom and practice and not bound to observe national laws, but enforceable by them.

Such independence of arbitration from national laws has not been achieved completely anywhere, and not at all in the UK, where arbitral awards can be appealed to the courts on issues of law. A significant advance can be seen in the recent acceptance by the Court of Appeal that arbitrators appointed under ICC rules may decide disputes according to general principles of law if this is what the parties wanted.

As to the freedom of contract, the other root of the law merchant, there are, of course, mandatory limits to the free choice of law which are discussed by Schmitthoff in an essay on Limits of Party Autonomy. But one must also be aware of the constant encroachment on the freedom of contract by national laws designed to protect either the weaker party to the contract – in consumer contracts, private insurance, or investor protection for example – or third parties and public interest.

Such laws for the protection of public or third party interests are getting more numerous, more wide ranging – and more apt for abuse for purposes of trade policy.

All three topical examples of legal problems detracting from the safety and predictability of trading operations originate in conflicts of regulatory activities with international business. Whether the authorities agree to protect competition, as in the case of Community dawn raids, or to protect artificially high prices against competition as in the case of tin, or disagree on the desirability of anti-trust action as in the case of Minorco's bid for Consolidated Gold Fields, they always succeed in creating mnch unnecessary muddle and uncertainty.

There is a great need for unification of private international trade law and Schmitthoff'e essays provide a wealth of information and stimulating ideas about how this could be done. But the business community ought to exert greater pressure than it does at present for international harmonisation of product liability, securities and competition.

Clive M. Schmitthoff, Select Essays on International Trade Law, edited by Chia-Jui Cheng, published by Martinus Nijhoff/ Graham & Trotman.

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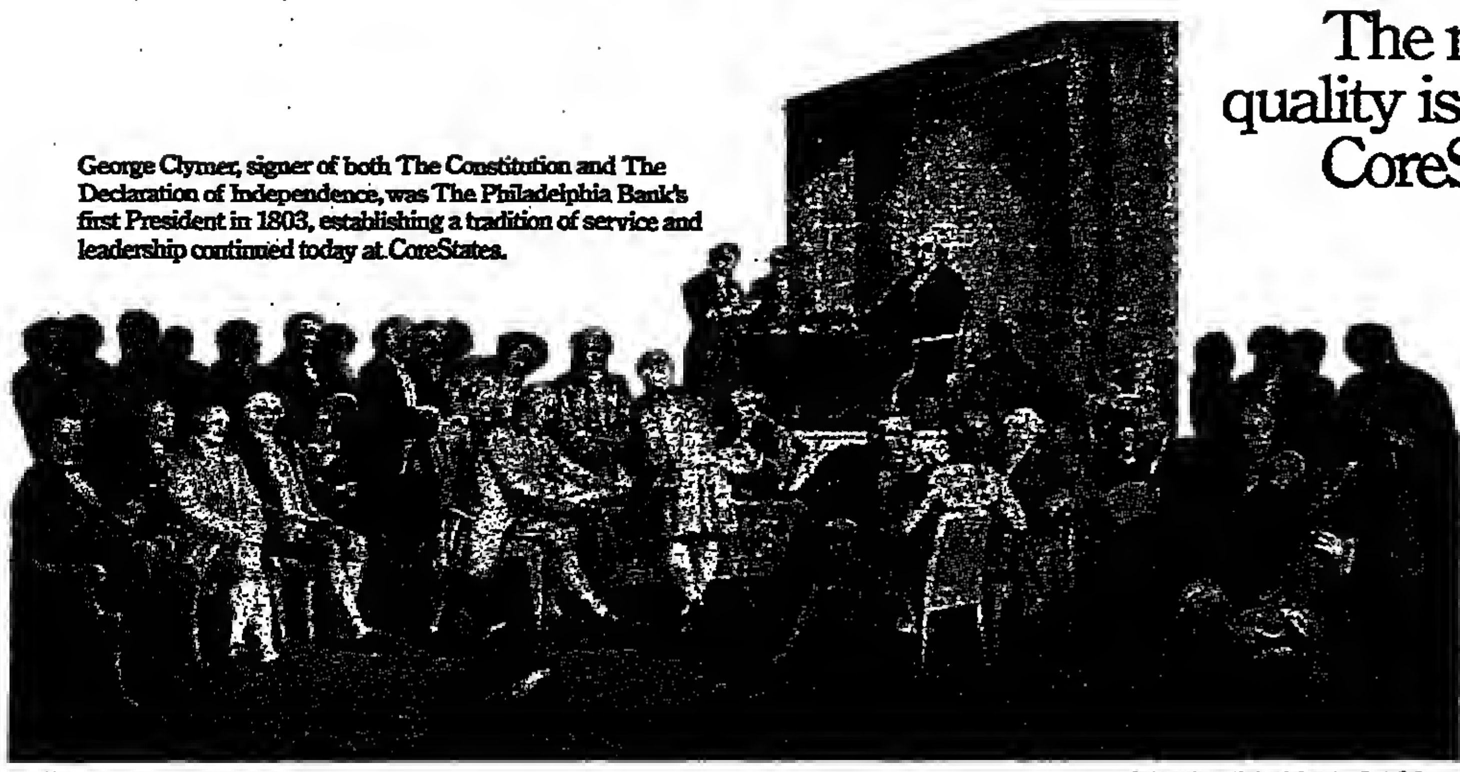

George Clymer, signer of both The Constitution and The Declaration of Independence, was The Philadelphia Bank's first President in 1803, establishing a tradition of service and leadership continued today at CoreStates.

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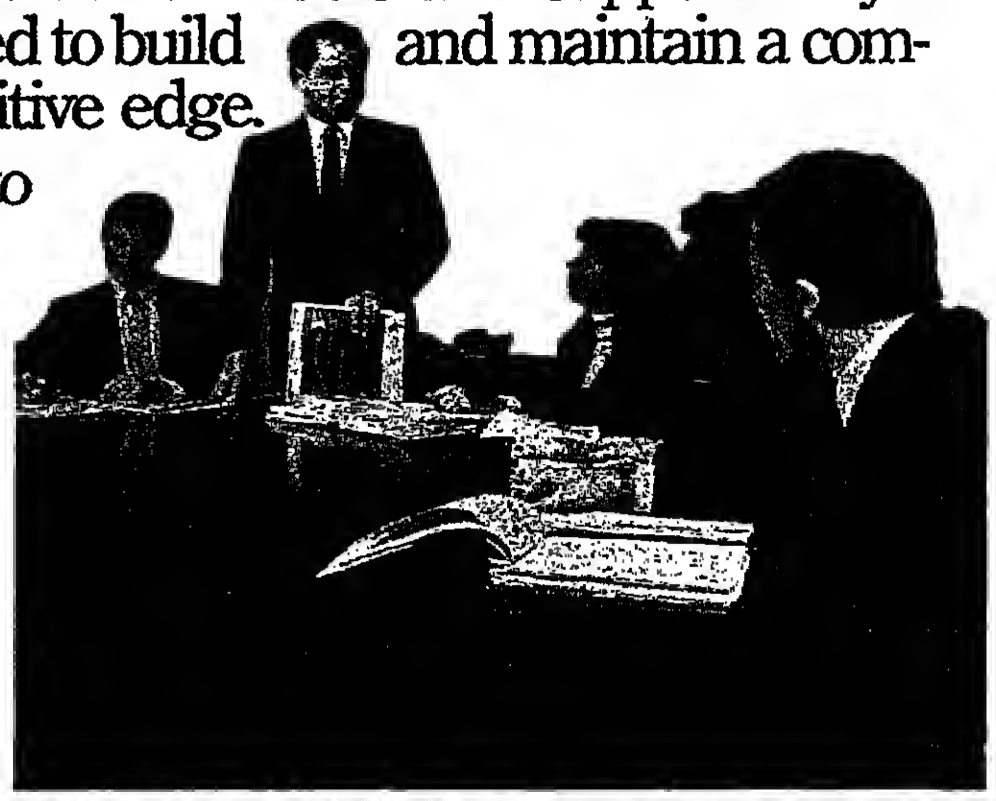
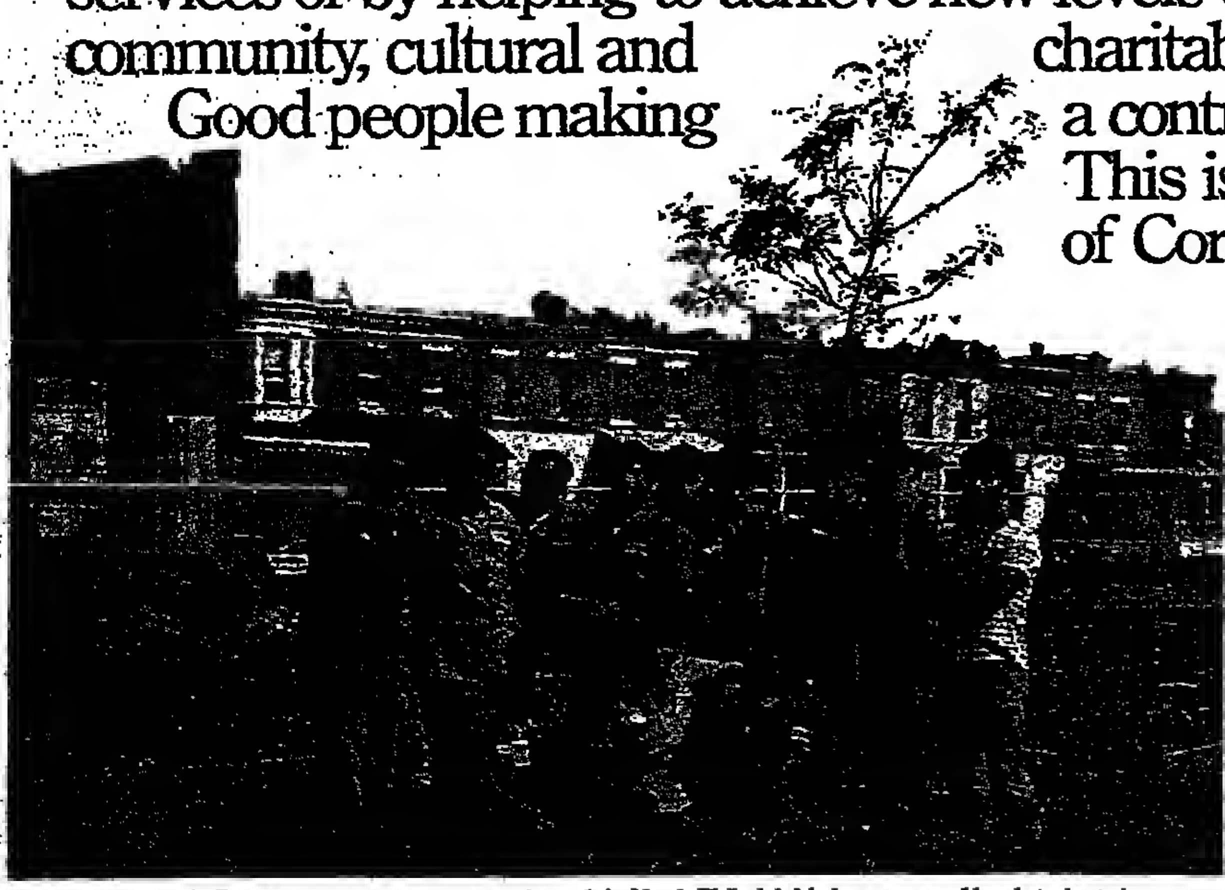
CoreStates' people know their mission is to bring value to customer relationships. Inherent in this mission is a sense of pride in the institution and in the role they play in its growth and success. As CoreStates thrives, so do its people, whether by contributing to the quality of products and services or by helping to achieve new levels of support for community, cultural and charitable programs.

Good people making a contribution. This is a tradition of CoreStates, its driving force and its equity in the future.



CoreStates' emphasis on training supports the skills its people need to succeed—and helps them match products and services with customers' financial goals.

For a CoreStates Quarterly or Annual Report, contact the CoreStates Investor Relations Department, P.O. Box 7618, Philadelphia, PA 19101, or call 215-973-3528.



CoreStates/PNB underwrote development of a park in North Philadelphia by a group of local students in conjunction with Centro Pedro Clavero, a local community group.

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MANAGEMENT

UK design

A cottage industry gaining maturity

By Alice Rawsthorn

THE UK'S TOP 20 DESIGN CONSULTANCIES						
Design Group	1988 Design Fee Income £m	1988 Overall Turnover £m	No of staff	Number of qualified designers	Fee income per designer (£)	Disciplines offered
1.Building Design Ptnrship	50.00	-	1,438	976	51,229	BDEFGIJ
2.WPP Group (design divn)	41.48	60.70	895	588	70,544	ABCDEFGHIJ
3.Michael Peters Group	26.50	34.00	720	310	85,483	ABCDEFIJ
4.Fitch-RS	20.00	20.00	500	350	57,142	ABCDEFGHI
5.Siegel & Gale (Saatchi)	14.50	17.20	235	145	100,000	ABCDIJ
6.Holmes & Marchant Design Gp	14.10	23.43	241	143	98,601	ABCDIJ
7.Addison	14.10	21.00	302	175	80,000	ABCDEFIJ
8.Aukett Associates	9.31	9.12	270	140	66,500	DEJ
9.Cambridge Consultants	9.20	11.20	265	180	51,111	CFJ
10.Percy Thomas Ptnrship	8.10	11.00	320	210	43,333	ABCDEGIJ
11.Pentagram	8.50	8.50	126	82	103,658	ABCDEFGI
12.Conran Design Group	8.40	8.49	210	90	93,333	ABCDEFGHIJ
13.Imagination	7.80	23.60	170	61	127,868	ABCDEIJ
14.Thomas Saunders Ptnrship	7.70	7.70	180	65	118,461	DE
15.Wolff Olins	7.40	12.50	170	65	113,846	ABDEI
16.Claessens Consultants	5.50	5.50	112	37	148,648	AC
17.Design in Action	5.10	7.60	101	71	71,830	ABCDFIJ
18.Leslie Jones Architects	4.80	4.80	154	84	57,142	ADEIJ
18.Minale Tattersfield&Ptnrs	4.75	4.75	70	58	81,896	ABCDFGH
20.Llewellyn-Davis Weeks	4.50	8.45	130	45	100,000	ADE

Key: A = Corporate Identity; B = Print; C = Packaging; D = Interiors; E = Architecture; F = Products; G = Furniture; H = Textiles; I = Retail; J = Other, including exhibitions, book publishing, point of sale, computer graphics, television graphics, engineering.

Credit: DesignWeek

A month ago Woolworth, the retailing group, prepared to announce its new corporate identity. It expected the announcement to be an anodyne affair. Instead Woolworth, or Kingfisher as it is now called, was accused of everything from pretentiousness to profligacy.

As the brouhaha over Kingfisher demonstrates, design is still far from popular with the public. Yet, popular or not, the design business is booming.

The latest annual survey by DesignWeek, the trade magazine covering the industry, shows that the UK's 100 biggest design companies increased fee income by 50 per cent – for the second successive year – to £450m in 1988.

The survey has been carried out in an attempt to analyse the design industry, which includes companies involved with commercial architecture as well as corporate identity, retail, product and packaging design.

The fragmented structure of the industry and proliferation of small companies means that accurate data is notoriously difficult to find.

DesignWeek bases its survey on information provided by the UK's 100 biggest design companies. Some companies – notably Landor, the US consultancy which is using London as a base for its European business, together with YRM and the Company of Designers, the publicly quoted building design groups – did not disclose fee income and have been excluded.

Although design is still a cottage industry, there are indications that it is becoming more mature as it polarises between a number of big, powerful groups and hundreds of tiny enterprises. There are now more than 80 design companies with fee income of over £1m, according to DesignWeek. Building Design Partnership, the biggest of all, mustered £50m with a workforce of 1,438 last year.

Another indication of maturity is that the industry appears to be more efficient. The 100 biggest companies increased the number of qualified designers employed by 37 per cent to just under 7,000 last year. Hence the increase in design staffing fell well below thet of fee income.

Jeremy Myerson, editor of DesignWeek, attributes this apparent improvement in productivity partly to increased efficiency and partly to greater use of overtime and the shortage of qualified designers.

Every area of design was buoyant in 1988. Architecture benefited from the upsurge in commercial property development, especially in London and the south east, although the UK companies now confront intense competition from the US consultancies – like Skidmore Owings Merrill and Swanke Hayden Connell – that have moved into the UK.

One feature of the industry last year was the acceleration of the trend for big architectural groups, like BDG, to diversify into different disciplines such as graphics and interiors.

This trend has, however, been accompanied by a tendency for "pure design firms", like Fitch and Michael Peters, to increase their involvement with architecture.

Retail design also prospered last year; it was still in the throes of the retailing boom that has come to a halt with the recent slowdown in consumer spending. This sector is still dominated by the large companies, like Fitch and McColl, now part of the WPP Group.

Yet smaller consultancies also made their mark in 1988. The work of David Davies Associates, on schemes like its own Davies shop in London, and Rasshied Din, for Next's new Department X fashion store, ensured that the UK is in the forefront of retail design.

Product and packaging design benefited from the continuation of the same trends – the increased sophistication of consumers and more complex marketing strategies – that have boosted demand during the 1980s.

The larger companies in these areas increased their involvement in overseas projects thanks to the restructuring of the consumer goods industries and realignment of marketing programmes in the approach to the introduction of the unified European market in 1992.

Similarly the corporate identity consultancies benefited from the wave of bids and buy-outs that has fuelled demand for new company names and logos in the 1980s.

The corporate identity process was also moved into new areas – such as the public sector – with Wolff Olins' work for the Metropolitan Police and Lloyd Northover's involvement with the Department of Employment.

Just as the large US companies are becoming more aggressive in architecture, so they are gathering force within the corporate identity sector. Siegel & Gale, the New York consultancy which is the spearhead for Saatchi & Saatchi's international design network, took fifth place in the DesignWeek survey thanks to its involvement in significant projects such as BP's recently unveiled corporate identity programme.

The emergence of the US consultancies as forces in the UK has been mirrored by the expansion of the big British groups into other countries. WPP reinforced its role as the world's biggest "pure design" business – and took second place in the survey – by buying Anspach Grossman Portugal, the New York corporate identity consultants in early 1988.

Michael Peters augmented its international interests by buying Hambrecht Terrell, one of the largest US retail design companies last year. While Fitch expanded into US product design with the acquisition of RichardsonSmith. Wolff Olins, Minale Tattersfield and Conran Design Group also established overseas offices during the year.

The design industry is deeply divided over the merits of international expansion. Some consultancies claim that they have to create international networks in order to compete in the burgeoning global design market. Others argue that international networks produce bland work and are incompatible with the culture of a craft-based industry like design.

Some of the international networks have already floundered. WCRS, the international advertising agency, recently sold Saunders, its UK design company, after a fall in profits from its recently acquired design interests. Addison Consultants, now facing the threat of a takeover bid, has had difficulties with its design businesses in the US.

In the meantime the outlook for the UK design industry is slightly less certain than in the past two years of apparently effortless growth. The 100 biggest firms forecast fee income growth of 30 per cent in 1989, according to DesignWeek. Yet the outlook is likely to vary from sector to sector.

Commercial architecture could be hit by the recent rise in interest rates, while retail design seems almost certain to suffer from the present problems of the retail sector. Yet the structural trends that have fuelled demand for product, packaging and corporate identity design in recent years show no sign of slowing down.

Even the more vulnerable areas of the industry, like retail design, should be able to depend on their burgeoning business in Europe and the growing awareness of design's potential as a management discipline to counter any downturn in demand.

All in all the UK design industry seems set to enjoy yet another year of growth.

Product development

Time for management to get a proper grip

Christopher Parkes examines the findings of a UK study

New product development is a costly, crucial and risky part of a consumer goods manufacturer's daily business, and yet top management takes remarkably little active interest in the process.

Most senior executives limit their role to that of a hurdle at which a carefully groomed idea either nosedives into oblivion or over which it bounds onward into the marketplace.

In an environment in which fewer than one in three truly new consumer products survives for more than two years, with even the failures absorbing some £7m during their brief lifetimes, it is time for someone to take a grip.

These are the main conclusions of a report by GAH, a London-based consultancy set up two years ago by a trio of strategy experts from McKinsey and Boston Consulting.

The list of charges against management is long and damning, and strong evidence is presented to support the report's pivotal contentions: "New product development represents a major strategic investment for most consumer companies – and one which generally underperforms. The probability of success is unacceptably low in many areas."

The group tracked almost 3,500 new product launches in Britain between 1982 and 1986, and as well as the poor survival rate found that even fewer introductions succeeded in recouping their investment costs. It cited cases from the US where only 1 per cent of new food products ever achieved annual sales of $15m.

For a typical British example, the group took a new food product with target sales of £15m at retail prices two years after launch. This would usually absorb £7m investment in the first two years – a sum which would take nine years to pay back on a discounted cash flow basis.

The cumulative costs – and the risks – are increasing as more companies scramble to get new products to market. Launches into the food business, for example, increased by 76 per cent during the study period.

The group found six main management deficiencies:

- Few companies integrate new product development into their overall business strategy. In such businesses, the principal driving force is consumer-led creativity. This produces a series of concepts which are then evaluated according to potential sales and margins.

"The resulting products may on occasion be individually successful. They are, however, unlikely to provide the ideal fit with the company's overall business strategy," the report says.

- Lack of effective direction from the top level. Product development in most companies is driven by individual managers' interests, which nurtures a tendency to undertake development in all areas rather than focusing effort on sectors which are most important and attractive to the company itself.
- This can in turn lead to a project-by-project approach, when, the report says, new product work would be more effectively managed in an integrated portfolio. Processing ideas singly leads to the situation where top management typically becomes involved only when a project is at a the stage where requests have to be made for funds. It is at this point that the most senior people make their evaluation – usually on strict financial grounds – and either bring the project to a dead stop or send it forward to an uncertain future.

While this is an important management function, the report says, it leads to failure to address certain key issues, taking no account of how an idea fits overall development requirements. It also leads to failure to assess total NPD investment in terms of management time as well as hard cash. Managers tend not to ask how investment is spread between different product areas, high- and low-risk projects, nor whether contributions from departments outside marketing and R&D are being effectively harnessed.

Management can start to address these issues, the study suggests, by establishing a new product development portfolio within which all projects can be evaluated in all ways and from all points of view. "Our experience is that companies which manage their development at portfolio level have a much better control over this key area of investment, and tend to reap a superior return on it," the study says.

- Few companies even consider involving customers in their programmes. But, the report says, involving the customer – which usually means the retail trade – can be helpful. It can produce suggestions for improvement and also smooth the new product's route into the market.

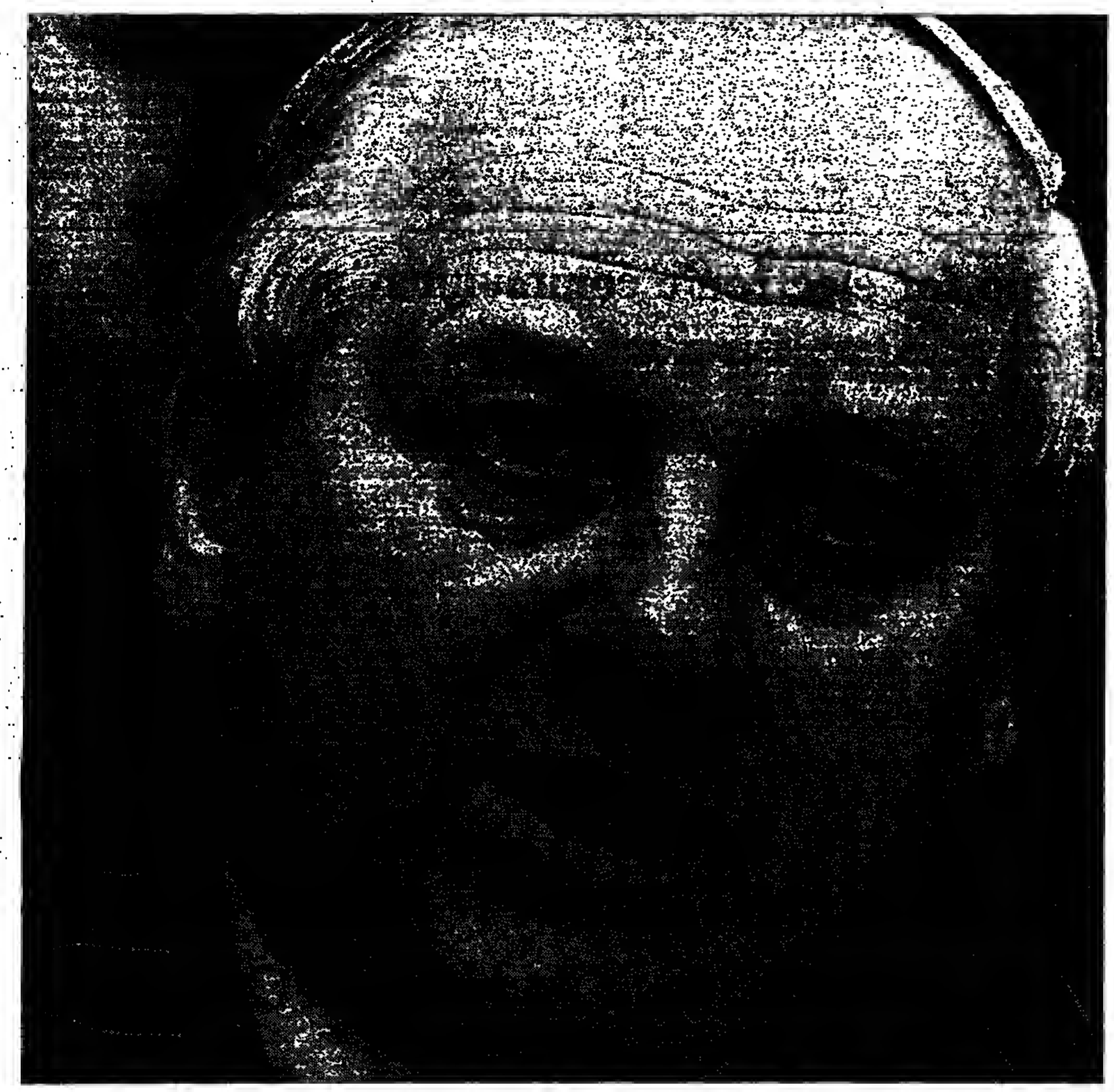
The NPD Crisis, £100. GAH, Durham House, Durham House Street, London WC2N 6HG.

Henderson on success.

KENNETH FLEET TALKS TO DENYS HENDERSON, CHAIRMAN, ICI PLC ABOUT TRAINING, ENTERPRISE AND SUCCESS.

FLEET: *How do you perceive our attitude, as a nation, to training and development?*

HENDERSON: We rather resist training as a nation. Basically we enjoy the status quo and in the past we haven't been sufficiently wide awake to the opportunities the changing world presents, which in return require different skills.



FLEET: *How has ICI responded to these requirements?*

HENDERSON: ICI went through a very difficult patch in the 1980/82 period when we were hit by world recession, over capacity and surging costs. We had to go through a very savage cost reduction programme. With the benefit of hindsight, one of the things we cut back too severely was training.

Since then we have come back, we are much more profitable, we are much more international, we all recognise how important it is to attract the best people, to train them, to retain them and to motivate them. In any business, competent, well trained people are the absolute foundation for success.

"If you don't have the right people you are not going to get the business."

Increasingly it is not enough to make the goods and then say to the customer, 'now here they are and would you like them?' I am quite clear that the rewards in the 21st century will come to those of us who work much more intimately with our customers to solve their problems and in that way tie them firmly to us.

Each individual company, each individual concern, has to say what does my customer want? How can I best meet his demands? What skills do I need to ensure we give him customer satisfaction and most importantly, what kind of people do we need to train, so that they have the skills we have identified?

"Training is related to economic development."

FLEET: *How do you see the new Training and Enterprise Councils contributing to this area?*

HENDERSON: I welcome the Training and Enterprise Councils. We believe we must allow businesses to decide what is best for them. Equally it must be right to push training out to the local environment where, on the one hand, you have got business saying we have identified this as a need. On the other, the education authorities say fine – we will now put together the resources to make sure there is a supply of people to fill that need. That must be the way forward.

"Competent, well trained people are the absolute foundation for success."

ICI can encourage others by example – supporting the TECs – and by emphasising in public just how important we believe a well trained workforce is for the future. Frankly, in this shrinking world, if you don't have the right people you are simply not going to get the business. This is a worthy cause and we will encourage our local directors and senior managers in the regions to help if they possibly can.

The responsibility of the TECs should be sharpened by the need to control and account for a budget – something betweeen £15 million and £50 million depending on the size of the TEC area. We have all learned that resources, whether financial or environmental, are not infinite and the discipline that says when we spend money we want value for that money needs to be inculcated in everybody.

Business instincts and enthusiasm are also more likely to be aroused when a government initiative involves an element of power. People respond to being in charge of their own destinies; to feeling that the challenge is within their own orbit. The other thing one has to recognise is that with power also comes accountability.

"Business enthusiasms are aroused when a government initiative involves an element of power."

Training is related to economic development. Market circumstances are changing so much that if we simply sit back and say, well we have always trained in a particular way and that's bound to be alright, we will find ourselves overtaken by the Europeans, by the Americans, by, in the end, South East Asia. We have got a better climate now. There has been a re-creation of the enterprise culture. Financial incentives are better and there is a much more confident spirit that we can compete in the world.

"There is a much more confident spirit that we can compete in the world."

The downside is that if we do not keep up with market requirements by producing a supply of competent trained people, the prizes will be taken by countries like Germany, like Switzerland, like Japan who essentially think very long, who are prepared to play a waiting game and prepared to sacrifice short term gains for long term building of positions. I believe myself that if we don't take that long term perspective then the prospect could be quite bleak. We could be left behind in the race to be a world trading force in the 21st century. As far as I am concerned, we are already looking out towards the 21st century. We have to take a horizon at least 10 years out.

I come back to the central point about just how important people are. Sure, we have got to keep up with the latest technology, we have got to have the best computers, the best automation, but frankly it all depends on people. If you don't get the right people with the right training and the right motivation, you don't begin. For me, people are always the starting point for a successful business.

If you are a Chief Executive, and you'd like to hear more about Training and Enterprise Councils, please write to the National Training Task Force, c/o 6 Bushey Hall Road, Bushey, Watford WD2 2EA, giving the name and address of your company.

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TECHNOLOGY

Louise Kehoe reports on the US electronics industry's response to the environmental challenge

The final solution proves elusive

Tha environmantal bandwagon is gathering momentum. Calls for measures to accelerate the elimination of ozone-damaging chlorofluorocarbons (CFCs) are being made by federal, state and local politicians throughout the US.

Several bills are before Congress that would phase out CFCs more rapidly than is prescribed by international agreements. In addition, some state legislatures, for example Oregon and California, and even a few city councils are considering severe restrictions on the use of CFCs.

Caught uncomfortably in the path of this environmental movement are thousands of US electronics companies; CFCs represent a vital element of the complex and finely tuned processes used to manufacture semlconductor chips, electronic circuits, computer disk drives and a host of other components.

CFC-113, the compound most widely used in the electronics industry, is a cleaning and degreasing agent. It enables manufacturers to ensure that surfaces are free of the minute particles which can cause bad electrical contacts or ruin miniature circuits.

The electronics industry is estimated to account for about 12 per cent of the use of CFCs in the US. The cost of eliminating them could run into several billion dollars and involve the refit of thousands of production lines. Since replacement substances are expected to be significantly more expensive, there will also be a long-term impact on the cost of electronic equipment – from personal computers and video cassette recorders to weapon systems.

Several factors make it particularly difficult to cut CFC use in the electronics industry. The biggest problem is that the manufacturers employ CFCs to a wide variety of situations. Some 200 types of use have been identified by the American Electronics Association, whicb represents more than 3,500 US companies.

"Finding a substitute that works in one application does not necessarily mean that it will work in another," explains Cheryl Russell, the association's director of environmental affairs. One concern is that the diversity of applications will mean that it will not be economically viable for chemicals manufacturers to come up with new substances to replace CFCs for every use.

"There is not going to be a universal compound, some magic potion that replaces CFC-113," states Russell. Industry experts predict that there will have to be a myriad of substitutes, and it seems likely that there will be some critical applications in which CFCs represant the only way to achieve the high level of cleanliness required.

"But that is not going to stop us from trying to find ways to reduce indostry nsage of CFCs," she stresses.

There is some room for optimism, however. AT&T, for example, has reported promising results using a new organic solvent in the assembly of surface-mounted circuit boards.

Developed by PetroFerm of Florida, in collaboration with AT&T, EC-7 is based upon naturally occurring cbemicals that can be extracted from citrus waste and pine bark. It is known as "orange juice".

At first, AT&T thought that EC-7 would be the perfect answer. But more recently it has become clear that it introduces new safety risks.

"It is certainly not so dangerous as to be unusable, but it will need to be used far more cautiously than CFCs," says David Chittick, vice president of environment and safety engineering at AT&T. "EC-7 is combustible. New processes and retrofitting (of production lines) will need to take this into account."

AT&T has also announced the commercial availability of a printed circuit board manufacturing system that eliminates the cleaning process for which CFCs are normally used.

Recycling of CFC cleansers and efforts to reduce their emission will also play a significant role. Companies, such as Digital Equipment, have reported reducing their use of CFCs by as much es 15 per cent simply by raising production workers' awareness of the environmental problems. Such "good bousekeeping" is expected to help offset the increased demand for CFCs in growing companies.

Hewlett-Packard is investigating the use of ICI's HCFC-141, a compound which is only about a tenth as damaging to tha ozone layer as CFC-113. "We are testing the new compound in printed circuit board production, initially on e small calculator circuit," says Cliff Bast, corporate environmental, safety and health strategic planning manager.

Early test results are promising, but it appears that substantial changes in production equipment will be required to accommodate the new cleaning compound, Bast says. "As we get to more intricata circuit boards with a higher density of components, the potential for technical obstacles increases."

Finding a snbstitute for CFCs in the manufacture of surface-mounted circuit boards is particularly difficult. This involves the chips being bonded directly on to tba board, whereas conventional boards have an array of holes to accommodate the pin contacts of semiconductor chips. So far there are no alternatives to CFCs in this prodnction technology – yet it is being used increasingly throughout the electronics industry.

"We are achieving good reductions of CFC use in our non-surface-mount manufacturing operations through conservation and waste management," says Bast. "But our use of CFCs in surface-mount applications is growing. We are not sure whether we will see a net reduction."

Facing some of the biggest challenges are semiconductor makers which use CFCs at several stages during the mannfacture of chips. Ironically, CFCs were adopted by the semicondnctor indnstry a decade ago as replacements for toxic materials that posed health and environmental problems.

"We use CFCs as a coolant in process equipment, in etching circuit patterns on chips and in cleaning process equipment," explains Terry McManus, environmental manager et Intel. "Then in the packaging process CFCs are again used for equipment cleaning and in quality control tests to ensure that chip packages do not leak."

There are currently no substitutes for CFCs in most of these applications and little promise of any being developed in the near term.

"We have no idea what we are going to do," admits the environmental manager of another big US semiconductor company. "As en industry, we are leaning on our chemicals suppliers, hoping that they will come up with substitutes, but so far there is nothing."

Exacerbating the problem is the fact that chip manufacturing processes are highly sensitive. Even the smallest change in the purity or composition of materials can have a dramatic impact upon production yields.

Nevertheless, the industry is organising collaborative and company-based efforts to reduce CFC use. Sematech, the US semiconductor industry consortium, recently created a task force to assess the scope of the problem, at the request of several of its member companies.

It will probably be about a year before the semiconductor industry is even able to project its future use of CFCs, which is currently increasing due to production expansion.

One concern is that CFC replacements should not create new health risks or environmental problems. Chip makers, for example, could perhaps turn back the clock and use "wet" acid etching baths as they did before CFC "dry" etching was introduced as a way of inscribing miniature circuit patterns on chips. That, however, would increase the risk of worker injuries and increase tha toxic wastes which must be disposed of.

In other applications, new compounds may prove effective, but potential health risks will be unknown. Industry officials say that rigorous testing is essential before new chemicals are introduced, even if that means delaying the phasing out of CFCs.

As David Chittick puts it, "there will be no free lunch."

Previous articles in this series on industry's role in protecting the environment appeared on March 6, 9, 10, 15, 17 and 22.

Car industry gears up for electronic communications

If a supplier is to find favour with the automotive industry today, ability to communicate electronically is almost as important as price and reliability of quality and delivery. This is because the big car companies, particularly in West Germany, are determined to bring production into line with customer demand. And the later they can confirm the exact nature of their orders with the various suppliers, the better chance they have of carrying the right amount of stock.

At Daimler Benz and BMW, for example, orders are given to suppliers of key components every day by electronic data interchange (EDI) – the transfer of information from one computer to another over a telephone line. The daily order details the deliveries required for the subsequent 15 days (according to the car prodnction plan) and gives rough valnes for the following five months. This procedure – developed with the support of the VDA, the German association of automotive manufacturers – even allows for modifications up to four hours before delivery for some key parts.

This level of responsiveness necessitates continuous and effective communications between the manufacturer and its suppliers – and between the individual supplier and its subcontractor. For this reason, car makers are beginning to urge their suppliers to install EDI facilities.

Daimler Benz offers its suppliers a day of introduction to EDI technology. Ford has developed a network called Fordnet and offers its suppliers the necessary electronics hardware free of charge.

However, the initiative now rests with the suppliers. Professor Hans-Jochen Schneider of ACTIS, the West German software company, says that by 1990 most of the suppliers serving the country's six main car makers will have to have installed facilities for EDI if they are to continne in this sector. In the case of Ford and Opel, 100 per cent of suppliers will have to have adopted this mode of working by then. The plan for BMW is 70 per cent.

Volkswagen, which started as early as 1978, now has about 250 of its suppliers linked up and expects to increase the number to between 600 and 700 by 1990. Daimler Benz is in a similar situation. Porsche already has 50 of its snppliers linked up and plans that between 100 and 150 will be added by 1990.

The challenge of adopting EDI communications is not an easy one for tha majority of suppliers because of the proliferation of data formats and communications protocols. Most subcontractors are likely to be making components for a large number of manufacturers in a variety of countries, all of which tend to use different protocols.

Volkswagen, Daimler Benz and Ford have developed electronic interfaces which their suppliers can link to a standard order-receiving computer (a large host mainframe in the case of VW and Ford; a front-end computer in the case of Daimler Benz). But this requires each supplier to design and install separate terminals and modems for each of its customers which is a costly and inefficient exercise.

An alternative approach is for the supplier to subscribe to a "clearing house", a kind of electronic postal service where data can be sent, converted from one format to another and then collected. Despite requiring only a single computer interface, it is a more costly and less flexible answer, says Schneider.

A third option is now emerging. It involves one cleverly designed interface that can handle a wide range of the currently used data formats and communications protocols. Actis has developed an interface of this type called tha EDI box. This acts as a front-end interface for the suppliers' PC and its software anables different information formats, sent by various car companies, to be handled.

The product is beginning to penetrate tha antomotive industry in Germany, Sweden, France and Belgium. This year Actis expects to sell 130 units.

One Actis EDI box is able to link eight parties concurrently, for example, one snpplier and seven automotive manufacturers. It is also able to link into proprietary networks such as Fordnet. The cost is between DM11,000 and DM70,000 (£22,000), according to the number of links and formats it must handle.

Schneider forecasts increasing sales in the coming years despite the emergence of an international standard. He says that because the technology is still developing, a variety of systems will be in use for the foreseeable future.

Tha new standard is Odette, which was developed in the UK with the support of the Society of Motor Manufacturers and Traders. Saab and Volvo in Sweden are currently the major automotive users of Odette, but many other companies in the sector, including West German ones, are committed to it.

In the UK, the Odette standard is widely used, though more by non-automotive companies, according to Alex Warrel, finance director of Tallent Engineering, the Darlington-based auto supplier. British Coal, for example, has more than 200 suppliers linked up. For the auto industry, Istel, formerly part of the Rover Group, provides a clearing house service conforming to Odette.

In Italy, there is also considerable EDI activity. Fiat has expressed its intention to establish EDI links with 400 suppliers by 1990. And a new clearing house service for Italy has been set up by Intesa, a joint venture company established by IBM and Fiat in 1987.

Set in motion with funding of L20bn to L30bn (£13m), Intesa's aim was to develop a communications network and software for linking manufacturers to suppliers, distribution centres and transport/shipping companies. That has now been achieved, according to marketing director Rocky Manfredi, but he adds that it could take a year or two for the Italian market to blossom.

So far EDI has been used for little more than the transmission of order and invoicing data. In the future, though, the automotive companies will also use the medium to exchange engineering data. Pilot projects are under way between Daimler Benz and Hella, and between Volkswagen and Karmann.

Anna Kochan

CINEMA

From bimbo into boss

WORKING GIRL
Mike Nichols

TEQUILA SUNRISE
Robert Towne

NICKY AND GINO
Robert M. Young

CAMILLE CLAUDEL
Bruno Nuytten

THE HAUNTED SUMMER
Ivan Passer

Fifty years ago *Working Girl* would have been called a "screwball" comedy; Jean Harlow would have played the Melanie Griffith role, the blonde working-class secretary with ambitions who masquerades as her boss when the boss (Sigourney Weaver) is laid up after a skiing accident. Mary Astor, all perfect suits and paper-knife enunciation, would have played the boss. And Cary Grant would have taken the Harrison Ford role, the rubber-reflexed hero caught in the chaos.

As written by Kevin Wade and directed by Mike Nichols (*The Graduate*), *Working Girl* is not so much screwball, more screw-top. Each time the comic contents are opened and poured, they seem flatter than the last time. And when you look at the story's sell-by date, it says "Early 1980s, before feminism lost its fizz."

That in the late 1980s an audience still willingly consumes the movie is a tribute to the extraordinary Melanie Griffith. Her role is supposed to be pre-feminist and post-feminist simultaneously. She is an airheaded bimbo whose voice sounds as if she has taken helium for a head cold. She is also a go-getter looking for a top desk to conquer and command.

Pudgy of face and smudgy of personality, Griffith in her first lead role (daughter of Tippi Hedren, she had semi-leads in *Stormy Monday* and *Something Wild*) begins by resembling a hole in the screen. Thirty minutes in, she is the *whole* of the screen. Her breathy slowness, like Judy Holliday under sedation, her air of pixified vagueness and her puppy-fat physique become inexplicably charismatic. If one ate her as a dish in a restaurant, one would suspect the chef had added illicit flavour enhancers.

Sigourney Weaver battles brightly at the film's edges: giving comic top-spin to her executive jargon dialogue ("I want your input, Tess, it's a two-way street on my team"). And Harrison Ford, raiding the lost art of romantic comedy, bounds round the periphery as the handsome deal-maker from a rival company who thinks Ms Griffith is Ms Weaver. (Plot: will Ford and Griffith sew up the historic takeover deal Griffith herself first proposed to Weaver – and Weaver tried to steal as her own – before Weaver gets out of traction and clumps back to her office?)

The film is slowish, and its visual style belongs to the "Wheel the actors in front of the camera and get on with it" school. The only moment of visual wit is Weaver's skiing accident: a perfect one-shot joke I shall not spoil. But there we are, still goggling happily after 116 minutes. I suspect Miss Griffith contains Monosodium Glutamate in measures beyond those encouraged by the EEC. Under its influence, a lymphatic comedy gains strange power to charm the taste-buds and pleasure the nerves.

★

Tequila Sunrise is set in a Los Angeles that has caught the designer-twilight virus from *Miami Vice*. Handsome drug-smuggler Mel Gibson, tousled of hair and accent (as in *Lethal Weapon* his Australian slugs it out with his Californian) is trying to go straight. But he has one more "job" lined up. Can police detective Kurt Russell, Gibson's long-term pal, stop him? Will beautiful restaurant-owner Michelle Pfeiffer, desired by both men, be caught in the tug-of-war? And who, what or why is "Carlos."

Answers, please, on a picture postcard with view of Los Angeles exploding with crepuscular beauty. *Tequila Sunrise* is written and directed by Robert Towne, who scripted that other *götterdämmerung* hymn to L.A., *Chinatown*. His new movie is part cops-and-robbers thriller, part travel-brochure existentialism. Against backdrops of burnished beauty, the characters ask "Who am I and what am I doing here?" (We the audience ask "Why quibble?": we would gladly settle for a sojourn among the subtropic palms.)

Meanwhile musical beds are played by Mr G and Mr R with Miss P; the screen gets drunk on mauves and golds and ambers; and the dialogue is at times so hardboiled you could crack your teeth on it, at others so runic you need a Rosetta Stone to decode it.

The plot is "Catch me if you can" and it is played like a shell game. Who will next show up where and under what rock or roof? Towne directs stylishly and he designs a neat thematic symmetry for the main male characters. Where Russell is involved in romance for business reasons (the revelations he can glean from Pfeiffer), Gibson is involved in business for romantic reasons: he sees drug smuggling as latter-day brigandage and a way to win Pfeiffer.

But finally the movie's multiplying smartnesses pall. Everything seems *appliqué*, everything strives for "art," and at two hours the slowness of the film's hand sedates the mind. Despite good acting and eye-gladdening photography (by Conrad Hall), the suspicion grows that the film offers nothing new, just crime-thriller tropes in designer clothes.

★

Had *Nicky And Gino* not been made before *Rain Man*, we would suppose it had been cloned from it. Its hero is a retarded youngster (Tom Hulce) living in uneasy alliance with the brother who looks after him. The latter is not yuppie salesman Tom Cruise but doctor Ray Liotta. The former is not Dustin Hoffman but a dustman. Otherwise take your partners for the "disability dance" and swing to the music of mental handicap.

Rain Man was redeemed by its fairy-tale improbabilities and virtuoso main performance. *Nicky And Gino*, directed by Robert M. Young (*Alambrista*, *Rich Kids*), scores mainly in the cringe department. Hulce's lovable stupidity is milked for major sentimentality. He keeps forgetting to walk the brothers' pet doggy: (symbolic – the doggy equals Hulce, needing love and exercise). He is slow to understand his brother's interest in new girlfriend Jamie Lee Curtis. And finally, when he gets involved in a murder he and we witness, his caring innocence brings justice and happiness after a pre-wash of tears, fear and anguish. Not so much a feature film, more a TV problem-of-the-week movie.

★

Spring is here, with the sound of bursting buds and tweeting birds. But one sound is British moviegoing is reassuringly all-year-round: that of Cannon Films pelting our screens with perishable bio-pics.

Camille Claudel, from France, is 2¾ hours of Miss Isabelle Adjani going bonkers. This directing debut by cameraman Bruno Nuytten (*Jean De Florette*) has been slaying *le tout* Paris this year. It chronicles the sculptor Rodin's passion for his beautiful fellow chiseller Camille Claudel (Adjani), sister of poet Paul.

In an early-century Paris rife ith cultural apocalypse ("Victor Hugo is dead!") and artistic self-questioning ("I don't know what moves me any more" moons Gerard Depardieu's Rodin), our heroine falls for Monsieur R after resisting romantic flings with divers art-world VIPs. (Asked for a kiss by a famous composer, she replies "No comment, M. Debussy." Obviously she was an early FT reader.)

Soon, though, Camille is passionately involved with Rodin-Depardieu: to the point of smashing sculptures, roaming the streets in tears and being attacked with a red-hot poker by a rival mistress. Finally, like us, she can bear no more. She ruptures the affair with the resounding line, "I lived for your *Burghers of Calais*, now I'm going to live for myself."

The film's popularity in Paris is mystifying. Perhaps the French, a nationalistic lot, could not resist a movie that united their most famous artist in three dimensions (Rodin) with their most famous three-dimensional art object (Adjani). I offer the theory to posterity.

Films about the famous come no dafter than *Camille Claudel*. But *The Haunted Summer*, directed by Ivan Passer from a script by John Lewis Carlino, runs it close. Here we are with the Byron-Shelley gang again on Lake Geneva. Goodness, is it only two years since we met them last in *Gothic*? In this version Shelley (Eric Stolz) is a young American trying to master an English accent and Byron (Philip Anglim) is a handsome cad with a flair for third-rate epigrams. Alice Krige and Laura Dern as Mary Shelley and Clare Claremont are on hand to go to bed with the men in scenes of soft-focus semi-porn. (But don't get excited.)

No one writes much. And when Shelley, in one scene, launches into a bit of high-flying philosophy Byron answers, after a pause, with the single word "Bollocks." Give the man a cigar.

Nigel Andrews

King Lear

OLD VIC

There is something both barbaric and doomed about the assembling court of King Lear in Jonathan Miller's opening production for his second season in charge of the Old Vic. Eric Porter's tetchily despotic monarch is losing his grip before losing his mind. He calls for the map and reaches for it with the wrong hand. Of the new alliances pairing off in a procession of tense stateliness, Cordelia's with the Fool is the only one untouched by guile or greed.

This airless kingdom is marked off by black brick walls and unadorned doorways in Richard Hudson's design, which preserves an idea of 17th century neutrality without insisting on any period. As in previous Miller productions, with Michael Hordern as Lear, the prime interest is in establishing the truth about social behaviour and the logic in the language of distraction.

The nonsensical exchanges between Lear and his elderly Fool (Peter Bayliss continuing the Frank Middlemass line in quizzical senility) about crowns and eggs and pairings have never been more exactly pointed or meaningful. And Porter, an actor of blinding clarity and distinct emotional articulation, throws nothing away. His first great caesura, in fact, is on the echo in this scene of "Nothing will come of nothing." His next is on the first hint of the identity crisis, (Who is it who can tell me who I am?), holding his temples in case his head bursts open.

The strength and lyricism of Porter's apoplexy is what elevates him to the plane of greatness unattainable by Hordern. The curse of barrenness on Gemma Jones's sleekly sexual Goneril, hair cropped and gelled with a contemporary swagger, is a frightening injunction, Jones placed tearfully downstage of Porter's apostrophic thundering. What the rest of the performance shows is the search for meaning at more conversational levels of existence. Along with displacement from a position of power goes the acquisition of wisdom and its terrifying corollary, the obliteration of sensory faculties.

In a play where what you see is what you hear, it is regrettable, therefore, that the hovel scenes, invariably the heart of a *Miller Lear*, are so badly lit by Paul Pyant. Hudson's brick domain has fractured and the banished king stands like a wanderer in the billowing black cloud and smoking fissures of a Romanticist Wagnerian *dreamscape*. But suddenly, infuriatingly, you cannot see anyone's eyes. Ergo, they become inaudible.

In the hovel, we receive skimpy signals of delicate work among the unaccommodated men, that marvellous sense, typical of Miller, of over-hearing utterly natural snatches of speech. But we lose contact, not just with Lear and the Fool (Bayliss recovers to deliver the prophecy speech like some bedraggled Brunnhilde in a revue sketch twisted into seriousness), but also with Peter Eyre's Edgar, crucially poised in transition between holy fool and practical missionary.

This wonderful performance of Eyre's, which has a real sense of questing propulsion born of deepening familiarity with the part over 20 years, comes into clear focus after the interval, taken just before the gouging out of Gloucester's eyes.

That incident is daringly removed offstage, so that the horror is refracted through a couple of cringing attendants and the indecent interest of Frances de la Tour's imperiously nasty Regan. Paul Rogers is disappointingly insecure as Gloucester, but his bandaged eyes envisage the battles and skirmishes of the last act in a superb Goya-esque touch of direction.

On Dover cliffs, Eyre covers his own eyes in order to imagine the strand below, the sort of piercing idea you only ever encounter in a Miller production. Behind it lies an entire discussion on the business of descriptive reportage, and the image coincides brilliantly with Edgar's awakening that ends in his transfigured arrival, activating his own reference to Childe Roland at the Dark Tower, to claim his inheritance.

Porter's jocund, but always dangerous, benevolence at Dover, Messianic white hair girded in a floral crown, boney but still playful legs protruding from a white smock, makes you miss still more his hovel history. But he scales the final peaks with heart-rending proficiency, prefacing the four howls with an agonised wail from the stage's depths and punctuating the five nevers with the stricken helplessness of one for whom bereavement has conjured a *life of lost opportunity*.

Concluding notes. Porter's hair, moving from piratical bun to free-fall mania, obscures too much of his face at key points. Clive Russell never really gets going as Edmund, oddly restricted in gesture and stage space. Much of the bit playing is flimsy and camp. Costumes are not Richard Hudson's strong point. Ian Hogg does not succeed entirely in rescuing Kent from dullness. Kim Thomson, a new actress of real quality, is the best Cordelia I have seen for ages, less of a military avenger at the end than a tragically returning daughter. Porter cradles her like a broken doll before subsiding into a beautifully arranged pietà on his final exhalation.

Eric Porter and Kim Thomson

Michael Coveney

Don Carlo

COVENT GARDEN

. . . Or so the Royal Opera prefers to call Verdi's grand opera – for as Max Loppert reported on Tuesday with regret, this last outing for the renowned Visconti production is being given in Italian. The only Italian singer is Katia Ricciarelli, whose diction is not her strongest suit; but one may sympathise with singers who want to market their roles in the language preferred by most opera-houses, for better or worse. If the original French should eventually win out, so much the better.

The excuse for this extra notice is that on Tuesday evening, Claire Powell took over the role of Eboli (just for that night). She cut a fairly generous figure on the stage, probably less odd and striking than Agnes Baltsa's. In theatrical fact Eboli must be a powerful, charismatic mistress; Miss Powell was fluent and teasing in the Veil Song, beyond many an Eboli who assumes that mastering "O don fatale" is sufficient to capture the whole character, but her accompanying winks and *moues* suggested an unconfident anxiety to please.

Through the later encounters she developed in seriousness and dignity, and there was broad authority as well as feeling in her big *scena*. She might still consider whether slurring Verdi's doom-laden rhythm in the initial descending phrases doesn't emphasise immediate distress at the expense of tragedy.

I have little to add to the Loppert comments on the rest. By Tuesday the orchestra was ready to play the last act very beautifully for Richard Armstrong. As Philip, Samuel Ramey held his own against Willard White's formidable Grand Inquisitor, after etching a memorable "Ella giammai m'amò."

Dennis O'Neill's stylish Carlo, rich in succulent vocal detail, seems too nearly unmanned by frustrated love either to make a plausible freedom-fighter, or to do full justice to the fact that *Don Carlos* is the ultimate buddy-opera. (Second place belongs to *Pearlfishers*;readers may elect others, but proposals of *Così*,*Zauberflöte* or *Tannhaüser* will be rejected as facetious.)

Gino Quilico's devoted Rodrigo has to make all the running, and does that to poignant effect with no less ringing musicianship. John Cox's reproduction, lit by Robert Bryan, is thoroughly satisfying; it doesn't, nevertheless, re-create the scathing white lights with which Visconti burned some of his stage-images – for the auto-da-fé and elsewhere – into one's memory. Only the first run had them: every revival has opted for milder effects with gels.

David Murray

Dido and Aeneas

THEATRE VARIA, BRUSSELS

Mark Morris, the young American master-choreographer now in his first season as maitre de danse at Brussels' Monnaie Theatre, is the greatest modern-dance creator of dramatic female roles since *Martha Graham*. But whereas, in her psychological forays, Graham sometimes split her characters between two dancers, the twist in Morris's new choreographic version of Purcell's *Dido and Aeneas*, shown recently at the Theatre Varia, Brussels, is that the role of Dido and the Sorceress are both taken by Morris himself.

Likewise the male-female supporting cast of the Monnaie Dance Group becomes by turns courtiers, witches, Trojans. No costume-change: all wear black sarongs (Aeneas alone bare-chested), dyed-black hair, scarlet nails (Dido's gold), gold ear-rings. Having resisted the notion of all this, I found the result a triumph. There's nothing precious about it. Dancing male or female roles, Morris's dancers and he employed the full power of chest, pelvis, *thigh and heel*, the utmost plasticity of waist, arm and instep.

His concept parallels not Graham, but Isadora Duncan, who, in her dances to Gluck's *Orfeo*, was Orpheus, Eurydice, Spirits Blessed and Damned. From a man, such expressive variety is radical. Morris's Dido and Sorceress – no more drag acts than the female protagonists of Greek tragedy – are characters of huge force and rich gesture, wholly opposed and dissimilar.

Dido and Sorceress are the opera's two poles, each presiding over contrasting realms. The court is grand, Eastern, archaic, often in two-dimensional bas-relief, measured; the coven is wild, slangy, Western, violent and loose. The alternation between the two worlds gathers power from scene to scene. Yet there are deliberate ironic echoes between them. Dido and Sorceress are both wracked by visceral powers. Nahum Tate's libretto refers obliquely at several points to the great simile in Book IV of the *Aeneid* in which Dido is likened to a wounded doe – a classic example of Virgilian pathos. Love's wound: with gestures that press the abdomen, Morris's Dido feels its pressure, and her evil counterpart turns the knife in it.

This production which marks the work's tercentenary and with which the Monnaie Dance Group visits Boston this June, is surely the most serious and bold dance reconception of an opera since Balanchine in 1936 presented, with Pavel Tchelitchev, a modern *Orfeo* at the New York Met, with Hell as a concentration camp. Yet it illumines Purcell's masterpiece. Dance is as integral to Purcell's score as to the opera's of Lully, Rameau and Gluck; Dido and Aeneas first publicly demonstrate their love not in song but in the triumphal dance that ends the first scene. The narrative here is clear, the characters vividly delineated (as Aeneas, Guillermo Resto matches Dido for scale and weight, though not in complexity), the relationships – especially the tender friendship between Dido and Belinda (Penny Hutchinson) – effectingly shown.

I saw and heard two performances. Craig Smith conducted the Oxford edition of the score, eliciting fine lucidity from the singers and players (modern instruments) of Emmanuel Music, Boston, all paced just before the apron of the stage. The use of a tenor Sorceress, albeit sung with excellently controlled cruelty, diminished the sense that this character is Dido's counterpart; and the soloist Witches were too mild. Vocal lines were discreetly, eloquently, decorated; the music, like the dance, gathered momentum.

Of the two Didos I heard, both warm-voiced, Mary Westbrook-Geha (mezzo) was the more restrained and verbally articulate, Lorraine Hunt (soprano) more creamy, regal and romantically elegiac. James Maddalena's Aeneas had ideally heroic firmness and dignity, and Jayne West's crystalline Belinda was a particular delight.

Morris's musicality is as multi-layered as everything else about his work; it makes me think "Not since Balanchine." A dance often demonstrates simultaneously a number's overall structure, base rhythms, melodic line and it's moment-by-moment expressive sense. Susan Hadley, as Second Woman, dances an "Oft she visits" that exemplifies in graphic miniature. Like an Indian dancer, her legs are turned out, the knees bent, the weight low. Her heels rise and fall to the base, her arms and torso show the melody, her gestures tell the song's story, and the rhythm and force of the dance change as does the song. All without travelling an inch. As you have watched, a picnic anthem has proceeded to tell of Acteon's (and Dido's) fate.

Like any musical choreographer, Morris can take risks and work against the music. For the "Echo" dance, Morris shows Sorceress and her two lieutenants conducting gleefully; in the obedient "Echoes" the other witches perform graphic scenes of modern torment. Morris is that rare being, an artist who can portray both the malice and pathos of evil. Astounding – but here simply too loud for the "deep-vaunted cell" music.

A problem in *Dido* is that Purcell does not musically specify two of the crucial ingredients of Virgil's tale – the sexual consummation of Dido's and Aeneas's love, and Dido's death. Morris uses the orchestral opening of Act II to depict the former: the love-making, alone on stage, is shown briefly, poignantly and far away. For her death, Dido simply folds herself over a bench, a final self-immolating demonstration of her tragic austerity and a final concession to the impulses – love's wound – that have compelled her from the first. A last irony: this is the pose in which the Sorceress began. Her altar is my pyre; in my end is her beginning.

Alastair Macaulay

ARTS GUIDE

March 24-30

EXHIBITIONS

London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases. Ends April 9; sponsors Alitalia and Fiat.

The Barbican Art Gallery. The Last Romantics. A fascinating study of the romantic, symbolic and decorative strain in British painting, that links Burne-Jones and the later pre-Raphaelites to Stanley Spencer and the Slade muralists of the 1920s. Daily until April 9.

The Whitechapel Art Gallery (in collaboration with the Fundacio Joan Miro, Barcelona). Joan Miro: Paintings and Drawings 1929-41. Daily except Mondays until April 23 – sponsored by Citicorp/Citibank.

The Hayward Gallery. Leonardo da Vinci: Artist, Scientist, Inventor. The most comprehensive exhibition ever staged of the drawings of Leonardo, including 88 from the Royal Library at Windsor. Daily until April 16.

The Hayward Gallery. La France: Images of Women and Ideas of Celebration of France, the Revolution Revisited. Daily until April 16: then on to the Walker Art Gallery, Liverpool, May 3 to June 11.

Paris

Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution to the social and political context of Europe as a whole. Closed Tue. Late opening night Wed. Ends June 26 (42895410).

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre maudit*, influenced at first by the impressionist Pissarro and later by Degas and Cezanne. Until April 24, closed Tue; late closing night Wed (42 96 58 30).

The Louvre. On March 30 the glass pyramid built byI.M. Pei, the Sino-American architect, opens to the public as a dramatic entrance to one of the world's most famous museums. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

Musée des Arts Decoratifs. The intimate world of Alexander Calder, some 300 works, most of them gifts to family and friends and, as such, exhibited for the first time, show the inventiveness and sense of humour of the sculptor. Ends May 21. Closed Mon and Tue (42603214)

Musée d'Orsay. Paul-Emile Miot's photographs from Tahiti 1869-1870 show the melancholy reality behind Gauguin's dreams of an exotic paradise. Closed Mon, ends April 23 (40494814).

Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes.

Brussels

Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.

Musée Royaux d'Art et d'Histoire. Tibet – Terror and Magic, sculptures and paintings of lamaist gods on loan from the Musee Guimet, Paris. Closed Monday ends May 14 (733.9610).

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. Ends May 28.

Vienna

The Bank für Arbeit und Wirtschaft. A large and varied exhibition of paintings and water colours by George Eisler, one of Austria's best known painters, is on show. Eisler left Vienna during the War, lived in Manchester but was one of the few artists to return. Ends April 20.

Secession. There is always some exhibition by Austrian artists on show here. The Secession, home of Vienna's fin-de-siècle painters, has been wonderfully restored.

Rome

Palazzo Braschi. Views of Rome by Giambattista Piranesi: 93 engravings by Piranesi and contemporaries (including his son, Francesco and his maestro, Giuseppe Vasi) covering the years 1745 to 1778 at a magical period in the city's history. Until April 25.

New York

Pierpont Morgan Library. Master drawings borrowed from Holland's oldest museum, the Teyler in Haarlem, focuses on work by Michelangelo, Raphael, Golzius, Rembrandt and Guercino among 100 pieces from the 16th and 17th centuries. Ends April 30.

Museum of Modern Art. In advance of its arrival at London's Hayward Gallery in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1960s, covering the Campbell's Soup cans, silkscreens on canvas of Elvis, Jackie Kennedy, Marilyn Monroe and other movie stars, disaster paintings and numerous self-portraits. Ends May 2.

Washington

National Gallery of Art. Cézanne: the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques from 1859 to 1872. Ends April 30.

Chicago

Art Institute. As part of a national tour, 67 rare ancient Greek sculptures, bronzes, and painted terracotta trace the development of the human form in art from the tenth to the fifth centuries BC. Ends May 7.

Tokyo

National Museum of Western Art. Masterpieces from the Vatican. A somewhat random selection of paintings and sculptures, chosen to demonstrate the development of Western art from ancient Greece to the Renaissance as well as to present the architecture of the Vatican itself. Closed Mondays.

National Museum of Modern Art. Odilon Redon. A major retrospective featuring more than 200 paintings, prints and drawings by the great French Symbolist, attractively arranged by subject matter. (monsters, angels, apparitions etc.) rather than chronologically. Most of the works are from public collections in Japan and from the Ian Woodner Family Collection in New York. Closed Mondays.

FINANCIAL TIMES

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Thursday March 30 1989

A serious deficit

The UK Govarnment's determination to reduce inflation is not in doubt. Mr Nigel Lawson, the Chancellor, and other ministers seize every opportunity to emphasise the importance of restraining price increases. But the Government's attitnde towarde Britain's large current account deficit is more equivocal. Mr Lawson hardly referred to the trade shortfall in his Budget speech, far lese gave the impression that its reduction was an urgent priority. The overseas deficit is regarded as a symptom of excess domestic demand, not as a problem in its own right.

This reaction is understandable. But it may appear a little short-sighted in years to come. The recent rise in inflation is modest by the standards of the 1970s and has been exaggerated hy distortions in the retail prices index. The deterioration in the current account deficit, however, is very severe – by both historical and international standards. Yesterday'e figures confirm that the deficit is running at an annual rate of nearly £20bn or close to 4 per cent of gross domestic product. Few countries have brought a deficit of this magnitude quickly or painlessly under control. In the 1991/92 general election, the trade gap may even prove a bigger source of controversy than either inflation or unemployment – the economic evils which dominated previous campaigns.

External outlook

The consensus view among British forecasters is that the current account deficit is close to its peak and should decline gently as the growth of domestic demand subsides. But not all economists subscribe to this view. In a pamphlet published by the Washington-based Institute for International Economics, Dr William Cline argues that Britain's external outlook is so weak as to be "in a class by itself". In the absence of special policy adjustments, the current account deficit would rise from 2 per cent of exports in 1987 to 29 per cent in 1992 – or from almost nothing to £45bn. The deterioration mainly reflects the "large adverse asymmetry between income elasticities for imports and exports" – in other words, the fact that when national income rises, imports tend to increase much faster than exports.

The impression is sometimes given that the deterioration in the current account is a phenomenon of the past two years, when the domestic economy was overheating. But this is not so. Figures for trade in goods other than oil and erratic items show a eteady deterioration throughout the 1980s. The ratio of export to import volumes was 119 in 1981, 100 in 1985 and just 85 last year. The decline was as great before as during the house and credit boom. The only difference is that poor non-oil trade performance in the first half of the 1980s was masked by the big, but temporary, oil surplus.

Disturbing facts

A glance at a long run of figures reveals two other disturbing facts. The first is the extent to which Britain has lost ground to the rest of the European Community. At the start of the 1980s, trade was roughly in balance; exports are now worth only about 70 per cent of imports. The second striking fact is the spread of trade weakness: virtually every category of visible trade from food, beverages and tobacco to manufactures is in large and increasing deficit. Invisibles, too, are performing poorly: the surplus on interest, profits and dividends is levelling off (and will fall as Britain'e net external assets decline), while the surplus on services has declined 40 per cent since 1985.

At present, ministers continne to focus on the fight against inflation. But the gravity of the trade shortfall will gradually become more apparent. A sharp slowdown in domestic growth in the next two years would ease current account pressures. Bnt it would not solve the problem which has dogged Britain for decades – to find a way of combining internal and external equilibrium. The claim that a supply-side miracle has occurred will be substantiated only when the UK, like Japan, can both grow rapidly and maintain current account balance. At present this prospect looks as far away as ever.

In quest of a wider Europe

WHATEVER mechanism the six countries of the European Free Trade Association (Efta) finally devise to deepen their relationship with the European Community, it is likely to involve an untidy compromise. Nothing short of full membership of the EC would be required for them to reap the full benefits of the single market planned for 1992, but that is not at present an option for either side.

Efta has long been worried that the single market will hurt it economically, both because ite members are exclnded from the key decieion-making process and because they will lose investment and jobs to the Community. Given the imminence of 1992, it is hard to see why a major US or Japanese corporation should invest in, say, Sweden rsther than Germany. That being the case, there is also less rationale for a Swedish hnsinessman to invest in his own small home market.

Until recently Efta countries have been trying to deal with this problem hy laboriously stitching together a network of collaborative agreements that will make their own economic systems compatible with those of the EC. Now that process has been given a new sense of urgency hy Mr Jacques Delors, EC Commission President, with his call for Efta to speak with one voice in its negotiation with the Community, a challenge which the Efta countries say they want to meet.

Bargaining power

Snperficially this approach has considerable appeal. From an EC point of view it gets round the time-consuming problem of having to negotiate individually with each of the six Efta states – Austria, Switzerland, Sweden, Norway, Finland and Iceland – just at a time when the main effort in Brusseis is directed towards the Community's own internal affairs. From Efta's point of view, unity would add to its bargaining power.

In practice, however, unity will be hard for Efta to achieve. It is a loose, heterogeneous group of countriee linked only by their reluctance to espouse a European philosophy that goes beyond mere free trade. Austria, however, is already wavering and is expected to apply for EC membership later this year. Switzerland balks even at the idea of a customs union; such a union is favoured by the Scandinavian countries, hnt would oblige Efta countries to co-ordinate commercial policy with the Community, not only in broad international trade negotiations, but also in specific and sensitive areas like dumping.

'Economic space'

This is not to deny that Efta and the EC have been able to develop quite close technical collaboration since the Luxembonrg Declaration of 1984, which first gaye expression to the concept of the European "economic space". Consultation arrangements are in place for the elaboration of industrial standards. It has even been possible to work out arrangements for the mutual recognition and enforcement of certain legal judgements, for example on product liability, throughout both Efta and the EC.

Remaining outside the Community will impose some costs on Efta countries, however close snch collaboration becomes. But given the importance of EC trade with Efta, which is larger than that with the US and Japan combined, it is not in the Community's interests to make these costs any higher than need be. The less of a fortress the EC becomes after 1992, the better for all concerned.

Preoccupied as it is with digesting its own recent enlargement and defining its future goals, the EC will not be in a position to cope with new membership applications for some time to come. This should not, however, prevent the consideration of fresh formulas for co-operation between the two groups of western European natione which fall short of full membership.

The Community also needs to develop this flexibility to deal with its shifting relationship with the countries of Eastern Europe. With neither Efta nor Eastern Europe is an all-or-nothing philosophy likely to work. Building a wider Europe around the EC calls for a more differentiated approach.

Lucy Kellaway examines the changing of the guard at British Gas

Left, Sir Denis Rooke; right, Mr Robert Evans

The gas man goeth

Company chairman do not come more assertiva than Sir Denis Rooke; nor do they come less assertive than his successor, Mr Robert Evans, whosa appointment was announced yesterday. The change in personality at the head of British Gas could not be more dramatic; the change in the direction of the UK's monopoly gas utility is likely to be a much subtler affair.

Mr Evans has been chosen as the man for the job not just because his pleasant, almost bland, character has rubbed along with the steam rolling, cantankerous Sir Denis for so many years. Ha is also as steeped in gas as Sir Denis himself, and has done the rounds of nearly every important job in the company. "A big company like ours does not rely on one person," he says. In his experienced hands, indeed, everyone can rest assured that British Gas will go on buying gas and delivering it safely and efficiently to the doors of its customers precisely as before.

The difference is likely to be more of style than of general thrust. The line from Mr Evans yesterday was that the new British Gas will be a little more democratic, more diplomatic, and above all more modern. The management reorganisation Mr Evans is promising does not come before time. Existing practices have barely changed since it was a nationalised utility, so that somebody who has a problem laying a pipe is ultimately answerable to the board itself. Under the new regime, says the chairman-elect, the old-fashioned functional lines of responsibility will he swept aside. Day-to-day problems will be dealt with at more lowly levels, leaving the board free to pursue the company's corporate strategy and free to tell the City, and the outside world all about it.

The main aim of British Gas remains a matter of serving its 17m customers and looking for "other eources of profit growth" – that is, more acquisitions. However, the telling of it is going to be something else altogether. "The executive board are going to become less involved with the day to day operations, and become more pro-active with the City and journalists," says Mr Evans.

He may lack the verve and energy of Sir Denis, but he also lacks his uncanny ability to annoy those with whom he disagrees. Mr Evans sees one of his first task as addressing himself more to the City, investors and institutions. It seems that all those meddlers, with whose interventions Sir Denis often failed to hide his irritation, are now to be courted.

Over the past few months British Gas has been taking advice on why it has consistently got such a bad press, and has made so few friends in the City. "Our advisers tell us that when we spend some money we must talk to stockbrokers so that they can form their own judgements, rather than us making up their minds for them," says Mr Evans. It may sound like good elementary stuff, but that kind of reflection would have been quite impossible in the days when Sir Denis ruled the roost.

It is, however, not clear that Mr Evans is going to be the ideal person to lead the communications revolution at British Gas. Although increasingly he has been pushed out in front to explain the company's latest move, he has frequently been floored by hostile questioners, with one of the other members of the board sometimes scrambling to put matters right.

From the point of view of the City and the company's shareholders, the loss of Sir Denis may not be unwelcome. And inside the company a move to a more democratic style of management will be good news to those used to having their schemes overturned by Sir Denis's own ideas.

However, to many in British Gas, the retirement of Sir Denis will mean the loss of a man who has perhaps had a bigger effect on the industry than almost any other in its history. The construction of the national grid; the conversion from town to natural gas; the establishment of gas as a major fuel – these have all been achievements of Sir Denis. Moreover, had it not been for his tough bargaining with tha Government during the privatisation debate, British Gas would no longer exist as a single integrated company, but would have been broken up.

Few would deny that Sir Denis was a remarkable chairman of British Gas when it was a nationalised utility, or that he led it into the public sector with the greatest flair. In his ten years in the chair of the public sector British Gas, his pugnacious style proved an asset more often than not. It made him more than a match for successive Energy Secretaries.

In the private sector, however, results so far have left the City disappointed. In its first year as a publicly quoted company (it was privatised in December 1986), British Gas's profits were static at £1bn, although the company blamed that on the mild winter. Investors have been upset by the company'e brushes with the Monopolies and Mergers Commission, and since the beginning of last year the shares have underperformed the market by 25 per cent.

Part of that lies at Sir Denis's door. His autocratic style has never sat comfortably at the top of a publicly quoted company. In the new battle against British Gas's regulator, Mr James McKinnon of the Office of Gas Supply, Sir Denis's unbending line may have become something of a liability in a climate increasingly hostile to monopoly power.

Some analysts argue that Sir Denis'e failure to cooperate with the regulator, and his early refusal to provide apparently uncontentious information on gas prices, have merely encouraged Mr McKinnon's regulatory zeal. Moreover, his flat refusal to make small concessions to his industrial customers two years ago when they started to complain about overcharging may have been to blame for the Monopolies and Mergers Commission inquiry into pricing in that market. Had he been more yielding initially, so the argument goes, he might have saved the company the £100m a year that the new rules will cost.

The record of British Gas so far as an acquirer is equally discouraging, although the blame arguably does not rest with Sir Denis himself. Despite much noise and many efforts, the company has so far spent only £850m on a somewhat higgledy piggledy hundle of assets, and two of the biggest targets – Petrocorp of New Zealand and the UK independent oil company, London and Scottish Marine Oil – have both fallen through its hands.

According to Mr Jonathan Stern, head of the Energy and Environment Programme at Chatham House, the agenda facing British Gas has changed radically in the last 10 years. The two main issues now are how to make profits, in which diversification clearly plays a part, and how to deal with regulators both in the UK and in Europe. He argues that neither Sir Denis nor Mr Evans are ideally suited for the task. "Sir Denis was a brilliant man for his time. But that time finished with privatisation. While it is now impossible to run British Gas badly, a fresh face from outside might have helped."

The company's shareholders may have joined him yesterday in wishing that a more imaginative appointment could had been made, although they cannot really claim to be surprised at the outcome. Succession was always going to be a problem at British Gas. Sir Denis towered over most of his top executives – in physical stature as well as in personality – and none makes a natural leader for one of the biggest companies in the UK.

Indeed, aside from Mr Evans there really were only two other possible contenders for the job: Mr Alan Sutcliffe, the finance director, who could be ruled out on the grounds that he is not really a gas man at all; and Mr Chris Brierley, who might have been the best qualified man for the job, but had made too many enemies within the company.

The radical option would have been to hire someone from the outside. The City wanted someone from its own ranks. It hoped that a well known merchant banker could be made a non-executive chairman, leaving Mr Evans to continue as managing director. It would also have welcomed one of the new school of British managers, and had even circulated fanciful stories that Mr David Simon, who was recently passed over for the post of deputy chairman at BP in favour of Mr Bob Horton, might be offered the job. But given British Gas's mistrust of the outside world, and the way it which it survived privatisation with barely a change on its board, it was unlikely to open itself so voluntarily.

Mr Evans and the rest of the board are Sir Denis's final legacy. Any shortcomings they might have are the corollary of his own. A final judgment on his contribution will only be possible after another five years or so. Sir Denis has created a successful gas industry in the UK; the question is now whether he has also created the basis for an equally successful private gas company.

BOOK REVIEW

Growing old gracefully

THE CHANGING POPULATION OF BRITAIN
Edited by Heather Joshi
Basil Blackwell, £29.95

Here is an odd fact: the country that has done most to plan its population faces the worst demographic problems. China may shortly undergo "an extraordinarily rapid transition to being the oldest society ever known" because of its one-child policy and the lengthening of life expectancy.

Perhaps it is also a parable. Basing social planning on the predictions of demographers is a risky business. From Malthus to Enid Charles, the author of the 1930s study The Twilight of Parenthood, predictions of imminent over- and under-population have a tendency to be utterly wrong.

Nor is it very fashionable. Trying to ease the strains of human ebbs and flows by altering the way people behave smacks of social engineering. As the editor of this book complains, demography is an unpopular academic discipline, which attracts relatively little in the way of public subsidy.

So why read the book? One reason is that demography is enjoying something of a resurgence by way of the market. No retailer faced with shortages of young workers to stack the shelves and ageing customers who want clothes for the mature gentleman and woman, can now safely ignore it.

Witness also the success of *thirtysomething*, the US soap opera aimed at ageing yuppies with children, which proclaims its authenticity by having trade-name consumer products on display in the characters' homes. Demography has become firmly associated with niche marketing.

Curiously, a growth in interest in demography is one of the things demographers can predict quite accurately. The last big surge in talk on the subject came in the 1950s when Britain was faced with the same squeeze of youth labour shortages and fears about a growth in the proportion of old people.

The book is the work of demographers, economists and historians gathered together by the Centre for Economic Policy Research and the British Society for Population Studies. It covers a range of subjects from divorce to migration with varying amounts of technical language.

It is also rather cheery. Considering the growing fears over labour shortages and the burden of older people, one expects a depressing read. Instead, several contributions conclude that things are not too bad, or at least that there are too many imponderables to be sure they are.

An essay by Pat Thane, a CEPR research fellow, on the shift in age structure typifies this. Thane questions whether the British population is ageing as starkly as often assumed, how costly having more old people will be, and whether the old should be regarded simply as a burden on workers.

She points out that the proportion of the population aged over 65 will remain constant at around 15 per cent until the turn of the century, even though the number of very elderly will increase. This, she says, gives us a breathing space in which to adjust social policy.

Thane also argues that the longer-term growth in welfare costs may not be as sharp as is feared. The "dependency ratio" of non-workers to workers will be held down by a fall in the number of children, and welfare costs may be cut by people in their 70s becoming more healthy and less dependent.

Finally, she says the rise in the number of well-off old people, together with an increase in the number who have children to support them, means it is inadequate to regard them simply as a welfare burden. They will increasingly be consumers and suppliers of services as well.

Not all the essays are so sanguine. One of interest to employers as well as policy makers is contributed by Tony Champion, a geography lecturer at Newcastle-upon-Tyne University, who examines the economic effects of migration out of cities and toward the south-east.

Because the British population is now stable – increasing at under 0.2 per cent a year – one area can only benefit from migration at the expense of another. At the same time, the importance of regional population levels has been increased by the rise in service industries dependent on local markets.

This means that migration quickly has an effect on the well-being of an area. Once it starts losing people, companies leave and the incentive rises for individuals to follow them: the familiar spiral of "multiple deprivation" that has afflicted British inner cities.

Like other contributors, Champion concludes that a more "population-oriented" public policy is needed. In view of China's experience, one is tempted to take this with a pinch of salt. None the less, there is more than enough in this book to make both policy makers and companies think hard.

For this reason, it seems a shame that demography lacks support as an academic subject. Perhaps the solution is a bit of private sponsorship. A fast food chain deciding where to site branches, and trying to find young workers could probably benefit from a house pundit on population.

What price the first Ronald McDonald Professor of Demography?

John Gapper

OBSERVER

IBM's ways with words

■ The new Oxford English Dictionary, formerly launched at Claridges yesterday, is a marriage of high technology and old academia. Both sides seem surprised at how well the two worked together.

Lord Jenkins of Hillhead, the Chancellor of Oxford University, remarked at the lunch on the general harmony that seemed to prevail. That was also the view of IBM, the company responsible for much of the hi-tech contribution.

The idea that IBM should be so closely involved first came from John Fairclough, now the Chief Scientific Adviser to the Cabinet Office. When the Oxford University Press was seeking tenders for the project, Fairclough was the chairman of IBM UK Laboratories. He argued that the company should offer its services free, not least because it might lead to some favourable publicity. (Those were the days when it was fashionable to regard the multinationals with some hostility.)

In fact, it was IBM's offer to supply the expertise, as well as the technology, that carried the day. The company expected that there would be some friction between its hi-tech specialists and academics not used to working with computer systems. But it seems to have worked like a dream: the five year project was completed on time and slightly under budget.

Now that the system is computerised, future projects should be easier, whether in the form of eupplements of new words and usages or new editions, though the precise way ahead has not yet been decided.

The new dictionary costs £1,500. There was a slight contretemps with the academics when an IBM man suggested thet it should be aimed partly at the yuppy market, which at least could afford to huy it even if the yuppies would not often consult it. And it perhaps a comment on the times that the price is more easily within reach of a large number of individuals than it is of some public libraries.

Lord Jenkins noted that the decline of British power had coincided almost exactly with the advance of the English language, thanks to the United States. The Americans, however, have not produced the Oxford English Dictionary, which is unique and should sell around the world, though it was printed in Taunton, Massachusetts.

Moscow says no

■ Some things have *not* changed yet in Moscow: for example, the readiness of official institutions to cancel arrangements once made at very short notice and with a minimum of explanation.

The latest casualty is the Anglo-Soviet "Round Table" conference, scheduled to be held in Moscow next week. This is an annual event of pre-Gorbachev vintage (it was started by Harold Wilson and Leonid Brezhnev in 1975) held alternately in London and Moscow. It is organised at the British end by the Royal Institute of International Affairs (Chatham House) and in Moscow by the Institute of World Economy and International Relations (Imemo).

The next conference was fixed in December for the week beginning April 3. In February, when it became known that President Gorbachev would be visiting London that week, Chatham House inquired whether the Soviet side wished to postpone. No, they were told: the discussions would go ahead as planned on Monday and Tuesday, followed by an optional three-day trip out of Moscow, probably to the Ukraine. Those who wanted

to see Gorbachev in London could fly home on Tuesday evening.

Last weekend Imemo contacted the British Embassy to say that it wanted to postpone the conference after all. The most obvious reason is that Imemo's Director, Academician Evgenii Primakov, is travelling with Gorbachev to Cuba as well as Britain – but that must have been known for some time. Could it perhaps have something to do with the confusion and excitement surrounding last Sunday's elections?

Grand Louvre

■ The inauguration by President Mitterrand yesterday of the spectacular glass pyramid in the cantre of the Cour Napoleon of the Louvre marks the half-way stage in the transformation and expansion of the art gallery into Le Grand Louvre, the largest art museum in the world.

The pyramid will now be the main entrance to the museum, with a staircase leading down to a modern underground foyer with an auditorium, restaurants and shops. These will be the first adequate facilities for the public the Louvre has ever known, and have been built in the middle of the Cour Napoleon, so as to provide a convenient hub between the three wings of the Louvre, to the South, East and North.

At present it is the Finance Ministry, and not the art gallery, which occupies the North or Richelieu wing of the Louvre, facing the Palais Royal (and the Financial Times bureau) on the other side of the Rue de Rivoli. But from the beginning, Mitterrand's project for Le Grand Louvre, launched shortly after his Presidential election victory in 1981, required the departure of Le Grand Argentier and his staff.

The plan was delayed by the general election victory of the Gaullists in 1986: Edouard Balladur, the new Finance Minister, refused to move out of his elegant and historic quarters. His socialist successor, Pierre Bergovoy, is proving more amenable, however, and on July 14 will be taking his ministry to the ultra-modern building under construction overlooking the Seine, at Bercy in the unglamorous 12th Arrondissement in Eastern Paris.

The Louvre project will not be complete until the late 1990s. In the process, about 80 per cent of its works of art will be rearranged, and the number on display will go up from 23,000 to 28,000. The most famous works, however, will remain where visitors have long been used to seeing them: the Venus de Milo will still be in the Pan corridor.

Local fare

■ "All bar food prepared and served hygienically" says a sign in a Lambeth pub. Someone has scrawled underneath: "And the meat pies are dusted every day."

Ian Rodger reports on a big new opportunity for Scotch whisky in Japan

After the tax cut, the battle begins

The battle for the huge Japanese drinks market has finally moved off the international trade negotiating table and into the marketplace.

On Saturday, a tax system which discriminates blatantly against imported spirits is to be removed, marking the successful conclusion of an 18-year campaign by the UK and other foreign governments. For the first time, Scotch whiskies and other imports will be able to compete on equal terms with Japanese brands.

The Japanese whisky market is so big – 20m cases a year – that even a minor rise in sales there could transform the dull state of the Scotch whisky industry. Scotch accounts for only 9 per cent of Japanese whisky consumption, but that is enough to make Japan the third largest export market for Scotch, after the US and France.

In preparation, the world's big drinks groups – led by the UK's United Distillers (part of Guinness) and Grand Metropolitan – have been revamping their distribution and marketing. However, the Japanese distillers – led by Suntory with more than two thirds of the market – will not give ground easily.

It all points to a long, difficult struggle. "There is going to be a lot of jockeying for market share, but I do not think you are going to see any dramatic shifts to imports in the short term," says Mr Akram Fahmi, executive vice president of Kirin-Seagram, the joint venture of Canada's Seagram group and Japan'e Kirin Brewery.

"I believe tax reform is secondary to overall Japanese consumer trends," Mr John Dur, president of Heublein Japan, the Grand Metropolitan subsidiary.

Mr Shunji Noritomi of United Distillers Japan is more optimistic, hoping that the group's wide portfolio of brands will enable it compete in every niche of the market. "I am very bullish, hut the market will change dynamically, so we cannot forecast how much it will change," he says.

Importers face several problems, and only one of them has been solved by the tax reform.

The key obstacle to building volume in Japan is obtaining good distribution arrangements. Roughly two thirds of whisky sales take place in bars, with the rest split equally between gift purchases and ordinary take-home buying. In other countries, the take-home trade tends to dominate. Importers say the distribution channels in Japan for both the bar and off license trade are heavily influenced by the existence of a dominant supplier, Suntory, and that importers hava had difficulty getting their products accepted. One importer estimates that only ona in four of the 160,000 off licenses in Japan stocks a standard (ie, non-premium hrand) Scotch whisky. Of 500,000 bars, 30,000 account for 70 per cent of all Scotch sales, he says.

The only tools the importers have to improve their distribution are advertising and promotion. That is the one area where the tax reform promises to help. Mr Mark Bedingham, senior managing director of Jardine Wines and Spirits, points out that the existing tax regime has made it impossible to plan long term marketing campaigns for brands. The system included *ad valorem* taxes of 150 per cent and 220 per cent applied to imports landing in Japan above a certain price. This left the importers hostage to exchange rate movements. A product that had been exempt from *ad valorem* tax might suddenly fall within the net if the yen fell in value, thus changing its cost structure. Similarly, one that had been paying 150 per cent could suddenly find itself in the 220 per cent bracket.

The foreign distillers have responded quickly to the potential offered by the new regime, taking back control of the distribution of their key brands, setting new brand strategies and stepping up their advertising spending.

Jardine Wines and Spirits, in which United Distillers has a controlling interest, has taken over the Japanese rights for I.W. Harper, the leading bourbon brand in Japan, and Dimple Scotch, from Suntory. Kirin-Seagram has taken back Martell Cognac from Suntory. On the other hand, Suntory has taken on Courvoisier Cognac and the Ballantine Scotches as a result of its new tie-up with Allied Lyons of the UK.

Mr Bedingham forecasts that total advertising on premium Scotch brands in Japan this year will double to about Y1.2bn (£5.3m). However, he also points out that Suntory spends about Y2bn a year on advertising its single premium brand, Suntory Royal, which indicates the magnitude of the task ahead.

Setting new marketing strategies has proved more difficult. Cognac and premium Scotch and bourbon whiskies command the highest prices, followed by Japanase premium whiskies, imported standard whiskies and finally domestic standard whiskies.

Until recently, partly because of the high taxes they faced, imported spirits have tended to cluster at the top end of the market. Though volume has been relatively modest, margins have been very high indeed.

However, in the past few years, as the Japanese government has relaxed import licensing, pricing strategies have had to change because of parallel imports – rising imports of Scotch through unofficial channels, at significantly lower prices.

These have created what industry people call "considerable confusion" in the market. In plain language, Japanese consumers, angry about price discrepancies on their favourite brands, have become disenchanted. Scotch sales in Japan dropped from 2.15m cases in 1980 to 1.78m cases in 1985. They have recovered only gradually since then, as the official importers have lowered their prices.

In the run up to the tax reform, some importers feared that if they reduced prices too much, they would lose their position in prestige markets while having no assurance of doing well in volume markets. But if they did not reduce prices sufficiently, parallel imports might worsen.

When prospective prices were published a few weeks ago, it looked as if the importers were trying to cover all eventualities. United Distillers, with the widest range of brands, knocked 25 per cent off the price of Johnnie Walker Black Label, which is not a hig seller in Japan, hut barely shifted the price of White Horse, the leading import hrand.

When politicians and the media saw the new prices, however, they complained that the importers werc not passing on all of the prospective tax reduction to consumers. Early this week, United Distillers followed Kirin Seagram and Suntory-Allied Lyons in bowing to pressure from the euthorities to cut prices on all its hrands hy at least as much as the tax reduction.

Meanwhile, Suntory has taken the view, at least in respect of its domestic whiskies, that price will be the name of the game. The price of Suntory Old, the leading Japanese standard whisky, now Y3,170 per bottle, will tumble to Y2,370 on Saturday. Many analysts expect that, at the lower end, price differentials between domestic and imported brands will be quickly eroded. United Distillers has laid down the gauntlet.

The big importers intend, therefore, to concentrate their efforts on premium and near premium brands. They hope the international image of products like Chivas Regal and J & B Rare, supported by heavy advertising, will appeal to the status-conscious Japanese consumer. Mr Bedingham predicts that the total premium market, now 1.5m cases a year, of which two thirds are domestic brands, will rise by up to 1m cases over the next 2-3 years. "And we think the import share could rise from one third to a half or two thirds," he says.

Others are less optimistic that the Japanese consumer will be as insensitive to price as some importers hope. They point out that many Japanese have now travelled abroad and are aware that spirits are much cheaper elsewhere. For example, even after the tax reform the price of a 750 cl bottle of Johnnie Walker Black Label will be Y6,000 (£26.67) compared with about $18 in the US and £12.99 in the UK.

Whatever happens, it will be interesting to watch a battle on Japanese turf in which the foreign suppliers have a real chance of making an impact and the resources and will to do it. One European Community official who worked long and hard to make the Japanese change their tax system on spirits, said it was this knowledge that kept him going. "We only wish there were other industries in Europe that would respond as well to this sort of opportunity," he said.

Andrew Gowers and **Scheherazade Daneshkhu** examine a fragmenting leadership

Tough versus tender in Iran

EVER SINCE the foundation of Iran's Islamic Republic 10 years ago, the break-up of its top leadership has been predicted often enough. This week, such predictions appear for the first time to be coming true.

The withdrawal of Ayatollah Hossein Ali Montazeri as heir-designate to the Republic's 86-year-old spiritual leader, Ayatollah Ruhollah Khomeini, marks the biggest departure in Iranian domestic politics since the early days of the revolution. A leadership that had remained remarkably united – despite openly-admitted political differences between its members – is now beginning to fragment.

The first eign of the break-up came last week with the resignation of Mr Mohammad Javad Larijani, a deputy foreign minister who disagreed with the excesses of the Islamic Government and was a keen advocate of promoting a better image of Iran abroad. His departure was also the first substantial indication of the increasingly powerful influence that hardliners are now exerting in Iran's faction-ridden leadership.

The shake-up in the Foreign Ministry, including Tuesday's resignation of Mr Mohammad Jaafar Mahallati as ambassador to the United Nations, has inevitably brought into question the position of the Minister bimself, Dr Ali Akbar Velayati, a leading moderate.

But the withdrawal of Ayatollah Montazeri as heir-designate is by far the most significant of the changes.

To be sure, his appointment back in 1985 seemed something of a last resort by the Assembly of Experts charged with deciding the succession. Khomeini will in any case be impossibla to replace, and Montazeri displayed neither the political acumen nor the charisma necessary for a passable stab at the job.

None the less, Montazeri had become one of the fixtures of the Islamic Government. His departure leaves a gaping hole at the top of Iran's executive. The concept of *velayat-e faqih* (literally, "regency of the jurisconsult") under which Khomeini holds power, and which Montazeri was supposed to inherit, is a central pillar of the Islamic Republic, extending the spiritual leadcr's authority firmly into the temporal sphere.

The position was tailor-made to fit Khomeini in recognition of the unique role he played during the revolution, but it has also been a source of fierce controversy among senior Shia clerics. In parting company with Montazeri, Khomeini has sacrificed e particularly loyal and long-standing colleague – the only keen supporter, among Iran's Grand Ayatollahs, of his political system

While lacking in aothority, Montazeri was an approachable and relatively popular figure, the human face of the Islamic Repuhlic. In recent months, at e time when the Government was celebrating 10 years in power and executing hundreds of its opponents, Montazeri had been preaching tolerance and pointing to some of the revolution's shortcomings.

He spoke of the need to learn from past errors, and deplored a situation in which foreigners and expatriate Iranians were too frightened to visit the country. In a series of letters to Khomeini, Montazeri had strongly and directly criticised the spiritual leader for instigating the wave of political executions which followed the ending of the Iran-Iraq war. His presence will be missed – and in the long run his absence may even be resented

For the time being, then, the authority of the radicals has been restored. Ever since the triumph of the Government's more pragmatic faction in ending the Gulf war, the hardliners have been hiding their time, waiting for an opportunity to reassert themselves. Their chance came with Ayatollah Khomeini's death sentence against the author Salman Rushdie, which led to a break in diplomatic relations with the UK and an abrupt halt to improved relations with the West.

While welcoming these moves, some radicals believe they do not go far enough: their standard-bearer, Hojatoleslam Ali Akbar Mohtashemi, the interior Minister, has called repeatedly for economic sanctions against Britain.

Similar views have been expressed by the Iranian press, and form part of the anti-Western and isolationist mood now predominant in Tehran. The Heavy Industries Ministry, for example, recently came under attack for a car assembly contract it had signed with the French Peugeot group. Instead of buying Peugeot cars, said Gholamreza Foruzesh, the bardline Construction Jihad Minister, Iran should be concentrating on manufacturing its own tractors to increase agricultural productivity.

Whether the current mood becomes entrenched will depend in part on the performance of Hojotoleslam Ali Akbar Hashemi-Rafsanjani, the parliament speaker. He showed a strong pragmatic streak by successfully persuading Ayatollah Khomeini of the need to sue for peace with Iraq, and moving to patch up relations with Britain and other Western powers. In recent months, he has also been critical of some of the Government's policies, though unlike Montazeri he has prudently refrained from saying things which could be interpreted as an attack on Khomeini himself.

Two events during the past fortnight could have o bearing on Rafsanjani's position. First, Khomeini appointed Hojatoleslam Haj Sheikh Abdollah Nuri as his personal representative to the Islamic Revolution Guards Corps. This move may make redundont Rafsanjani's position as acting commander-in-chief, to which he was appointed by Khomeini last June.

Second, Rafsanjani was oominated as presidential candidate in the elections duo to be held in August. But here, too, there may be a catch: be has been put forward by a group – the radical Combatant Clergy Society, led by Mohtashemi – which fiercely opposes the policies with which he was associated last year. Rafsanjani has said he would like to stand for the presidency, but it is also known that be would like to push through constitutional changes aimed at strengthening tbe executive. If these changes do occur, then he will have negotiated a very tricky political path indeed.

For the rest of the pragmatists, they had better comfort themselves with Ayatollah Khomeini's repeated assurances that he is not siding with one faction or the other, and bope that he tilts back in their directioo before he dies.

LETTERS

The aims of law reform

From Mr David Lang.

Sir, Halfway through the consultation period which the Lord Chancellor has allowed for his proposed reforms, it is pleasing to see that your leader (March 17) adopts a considerably more thoughtful approach than your earlier one (January 26), which gave the green papers such an uncritical and enthusiastic welcome.

I hope that this trend will continue, and that by the end of the consultation period you will have come to realise that what may be all very well for *the big battalions in the City of* London, and for those who can in any event look after themselves, is likely to be a complete disaster for the rest of the population.

Very few in the legal profession would deny that there is much wrong with the system, and that (particularly in litigation) complexities, delays and high costs either prevent justice from being done or else render the experience so painful that even the enccessful party is left wondering if it was all worthwhile.

The weakness of the green papers is that they do not address the underlying problems. These are caused not so much by lawyers in private practice, as by the sheer volume and complexity of legislation and the increasingly sophisticated nature of the commercial transactions.

It is all very well to talk – as you do in your recent leader – of the need to make lawyers and judges seek common-sense solutions "instead of indulging in legalistic sophistry." No doubt sophistry does sometimes triumph at the expense of common sense, but that is at the behest of litigants for whom tha end justifies the means.

In the field of personal injury litigation, for example, plaintiffs egged on by coneumer associations ara demanding ever higher settlements (a trend which the use of a contingency fee system will accelerate), and are seeking constantly to push the frontiers of the law into new territory.

I greatly regret that the Lord Chancellor, rather than setting out to tackle the underlying weaknesses, hss chosen instead to attack the structure of the two legal professions. It may well be that structural changes are necessary, but snch changes should follow naturally, as a result of desirable changee to the system they serve.

It was a Conservative administration, in the early 1960s, which reorganised the structure of London'e government, and the structure of local government elsewhere, a decade later – only to find, a decade after that, that reorganisation and reform are by no means synonymous.

David Lang,
6 Cornwell Road,
Dorchester, Dorset

Risk takes several shapes

From Mr Andrew Powell.

Sir, The US proposals on international debt and the nature of the proposed guarantee scheme have received much attention in tha FT. There seems to be a general misconception, however, that such schemes are about shifting risks wholesale onto public bodies ("Why debt proposals are ideas," March 22).

The lack of funds extended to less developed countries reflects the problem of sovereign risk. A separation of sovereign risks from other types of risks is required, and guarantees should be designed to act *only* on the sovereign risks. So while guarantee schemes are about shifting risk, they should aim – as Don Lessard of the Massachusetts Institute of Technology has put it – to exploit "comparativa advantage" in risk bearing. This may require innovative loan structures, with interest and/or principal made contingent on non eovereign risk elements (for example, commodity prices, exchange rates, and so on).

Further, there is in principle no need for any involvement from a public body. An analogy is to the US mortgage-backed security market. Here, public and essentially private bodies all play guarantor to various risks, enhancing the market for loans to home buyers in the US. The essential requirement in any scheme is for the guarantor to have a comparative advantage in bearing the risks it assumes. Then, private banks should be willing to purchase the guarantees such that the guarantor could make profits, not losses.

Finally, if such a scheme got off the ground it ehould increase, not decrease, the liquidity in the market for secondary debt ("Third World debt traders," March 22). With sovereign risks guarantees, a wide range of investors would wish to hold developing country debt, and increased lending would follow. Standard securities could be developed to increase liquidity further.

Andrew Powell,
Nuffield College,
Oxford

Health in the market

From Mr Anthony Henfrey.

Sir, Michael Prowse (March 22) advances the knee-jerk reaction of every producer interest group when he asserts that "the price mechanism is not efficient in health care because patients lack the information required to act as sovereign consumers."

Implicit in this seems to be the idea that this is the inevitable order of things, and that only the producer interest can possibly know what is good for consumers of health care.

My own experience as a consumer of health care services in the US certainly does not support his hypothesis at all, and many millions of people seem perfectly capable of making informed decisions about their health care needs. Presumably because I am not a qualified airline pilot, or an automobile engineer, Mr Prowse's logic would disqualify me from making informed consumer decisions about huying airline tickets or a new car.

Large parts of the health care services industry are as amenable to consumer choice as most of the rest of the economy. Just let the market work.

Anthony W. Henfrey,
Simmons & Co International,
4900 RepublicBank Center,
Houston,
Texas 77002,
USA

From Mr R.N. Philipson-Stow.

Sir, Michael Prowse's explanation of "Why Britain'a doctors are up in arms" consumed rather more than 35 inches of your column space (March 23) – and yet he still missed the mark by a mile.

None of us ehould grudge the doctors their special pleading, but, equally, we ehould not be blind to the true explanation for their concern.

The reason quite simply is that they have now reached the front of the queue for the suppression of cosy monopolies (with the brewers and the lawyers) – and they do not like it.

Since most of the rest of us have already passed this way, perhaps the doctors should just relax and take their medicine.

R.N. Philipson-Stow,
32 St Mary At Hill, EC3

'Questions about water privatisation are being ignored'

From Mr B.G. Hazel.

Sir, Features and letters about the proposed privatisation of the UK water industry have raised many more questions than they have answered. I put three qnestions – no doubt your readers could ask many others:

● How can competition be introdnced *into a natural monopoly without a tangle of* regulations which must be monitored at great cost?

● A privatised water ntility could he faced with hnge *increases in costs because of* European Community or national legislation – and at the same time have a limit set on the charges it can set. In *ultimate circumstances*, will it *be allowed to go* into *liquida*tion with consequent cessation of water supply?

● In accepting the need for improvement to the environ*ment, is it not preferable* that all money raised from increased charges be used for this purpose?

We are disturbed that questions of this sort are heing ignored – as is opposition, by all sectors of the community, to the present proposals. We believe that the Government must think again about them.

B.G. Hazel,
The British Textile Employers' Association,
Reedham House,
31 King Street West,
Manchester

FINANCIAL TIMES
Thursday March 30 1989

Buy-out specialists warned of risks

By Stephen Fidler, Euromarkets Correspondent, in London

A WARNING that US securities houses may be putting too much at risk in financing leveraged buy-outs has come from Moody's Investors Service, the US credit ratings agency.

A four-month review undertaken by the agency confirms its suspicions that American-style merchant banking activities "represent significant new risks to securities firms' creditors", particularly in the event of an economic downturn, Moody's said.

In such operations, securities firms put their own capital at risk in companies completing leveraged buy-outs, by making large bridging loans or long-term equity investments. Other high-risk activities include putting up long-term venture capital in new companies and investing in commercial real estate.

Salomon Brothers, CS First Boston, Shearson Lehman Hutton and Merrill Lynch are cited in the report as the firms most actively involved in this business, while Morgan Stanley and Paine Webber are described as having a moderate involvement. Salomon's credit rating has already been downgraded by Moody's.

Warning that this high-risk activity was on its way to becoming global, Moody's said: "Several powerful dealmakers are working hard to make this happen, especially in the UK." It added that "as risk appetites continue to rise, there could be downward pressure on the ratings of foreign securities firms and universal banks active in the merchant banking business."

Houses have been turning to merchant banking – where profits for a single deal can amount to several hundred million dollars – to compensate for weak profits in securities brokerage, underwriting and trading. "More US and international firms will yield to increasing pressure to participate in this lucrative but risky industry," it said, and they were increasing the amounts they were willing to risk.

The high return on such business had led securities firms to exceed their own limits on exposure to a single transaction, Moody's said.

Meanwhile, billions of dollars were being contributed by institutional investors and new specialist merchant banking operations to funds now available for leveraged buy-outs.

MP dies in Turkish parliament shooting

By Jim Bodgener in Ankara

AN OPPOSITION Turkish MP was shot dead in the parliament building yesterday in an incident that could intensify the difficulties facing Mr Turgut Ozal, the Prime Minister.

The semi-official Anatolian News Agency said that Mr Abdurrezak Ceylan, a member of the centre-right True Path Party (DYP), died in hospital after surgery for a gunshot wound to the chest.

According to two journalist witnesses, the incident happened at around 4pm. Mr Ceylan and another deputy, Mr Arikan, were walking past the parliamentary post office when a third member, Mr Celiker, emerged from the ANAP lobby exit. There was apparently an altercation between Mr Arikan and Mr Celiker and Mr Ceylan was shot while trying to separate them. Both men deny firing the shot.

The state prosecutor was investigating but it was not clear whether anybody had been detained by police. The incident appears to have developed out of local enmities in the south-eastern province of Siirt that were inflamed by the local elections.

In the volatile atmosphere following the elections, all parties were anxious to play down the incident.

There has already been enormous pressure on the government of Mr Ozal to hold an early general election following the resounding defeat of his party on Sunday. The main opposition Social Democratic Party leader, Professor Erdal Inonu, demanded yesterday that it be held before the October parliamentary selection of a new president.

With the Social Democrats getting 28 per cent and the DYP 25 per cent, ANAP was relegated to third place with 22 per cent in the voting for provincial councils. These votes are considered to have been influenced more by national party preferences than the track records of specific candidates in municipalities.

Professor Inonu said that the elections had been fought on national rather than local issues, including inflation, unemployment, and the "epidemic rise of corruption in high quarters."

Opec prepares for battle over quotas in wake of oil price rise

By Steven Butler in Vienna

OIL MINISTERS from the Organisation of Petroleum Exporting Countries meeting in Vienna yesterday adopted a cautious public stance and called for a period of stability following the rapid rise of oil prices over the past four months.

However, the ministers were quietly laying down positions for what is expected increasingly to be a contentious meeting in June over whether to increase Opec's production ceiling and how to reallocate quotas.

Sheikh Ali Khalifa Al-Sabah, the Kuwaiti Oil Minister, yesterday reiterated his view that Opec should raise its production ceiling from 18.5m barrels a day in the first half of the year to 20m b/d in the second half, and award extraordinary quota increases to Kuwait and the United Arab Emirates.

The proposal is expected to be opposed outright by some Opec members and could touch off a new round of demands for quota increases by countries such as Iran, Ecuador and Venezuela.

The strong call yesterday for stability by ministers speaking individually, however, appeared to guarantee that these contentious issues would be postponed until the June meeting of all 13 Opec oil ministers.

The current meeting of Opec's ministerial monitoring committee, expected to end today, is attended by ministers from Saudi Arabia, Kuwait, Iran, Iraq, Algeria, Venezuela, Nigeria and Libya. Ecuador is present as an observer.

The ministers expressed caution about the recent strength of the oil market, where cargoes for prompt delivery are fetching high prices while forward months are much cheaper.

The ministers appeared uncertain as to how much of the price rise was due to temporary factors, such as equipment failures in the North Sea or the four-day shutdown of the Alaska pipeline.

"The most important thing for us would be market stability," said Mr Gholamreza Aghazadeh, the Iranian minister. He stressed that stability was needed for consumers and producers following three turbulent years in the oil markets. Mr Aghazadeh said it was too early to consider raising Opec's production ceiling.

Sheikh Ali also yesterday introduced a note of moderation, saying that the Kuwaiti position was not fixed and would depend on assessments of supply and demand.

The UAE is estimated to be producing 1.5m b/d of oil, more than 50 per cent above its quota. Kuwait, which has a similar quota to the UAE, is believed to be producing about 1.4m b/d.

Iran has also recently joined the list of over-producers, with output at roughly 3m b/d: more than 300,000 b/d above quota.

Deliberate overproduction by Opec members is often a political ploy to claim a higher quota allocation. However, Opec's redefinition of production to exclude additions to stock has made it difficult to assess the market impact of Opec wellhead production.

Call for action on Brady plan

By Anthony Harris in Washington

THE WORLD BANK group will be pressing for rapid progress on an international consensus on the Brady debt reduction initiative, which they believe could potentially bridge about a third of the financing "gap" facing the middle income indebted countries.

However, the other two thirds will have to be covered by new money, and there will be heavy pressure on the commercial banks both to provide more new money, and to concede adequate discounts on any debt involved in the debt reduction process. Officials make it clear that international institutions will not be interested in providing debt enhancement, increasing the certainty of bank claims, except in exchange for highly significant debt reduction or debt service reduction.

Meanwhile, the dispute between the World Bank and the International Monetary Fund on their respective roles in imposing and policing policy conditions on borrowing countries may be close to resolution.

The IMF's primacy in macro-economic questions appears to be agreed, and the heads of the two institutions, Mr Michel Camdessus and Mr Barber Conable, have been holding one-to-one meetings to resolve details of the wording of operational rules for their staffs. The aim is to seal an agreement before the ministerial meetings this weekend.

It is expected that debt reduction will dominate these meetings. The achievement of an international consensus on the ground rules is seen as urgent, since the speech by Mr Nicholas Brady, the US Treasury Secretary, has aroused strong expectations among the debtors, and progress on all oustanding debt questions is likely to be frozen until the role of the debt reduction option is made clear.

The cases of Mexico and Venzuela, which have been especially hard hit by weak oil prices, are regarded as the most urgent, and the aim in Washington is to create a sufficient consensus to allow negotiations on these two cases to start in a matter of weeks.

On the broader question of middle-income indebted countries – the bulk of whose debt is accounted for by the "Baker 15" – official thinking is moving towards a two-track strategy. The smaller lending banks, and some of the debtor countries – again, predominantly the smaller ones – will want to concentrate on debt reduction, achieved partly through exit bonds to end bank involvement.

The larger debtors and the money-centre banks, by contrast, may prefer the greater leverage attainable through reductions in the interest rate on debt, where greater annual savings can be achieved through any given injection of official guarantee resources.

The negotiations will inevitably be very complex, involving not only national attitudes to debt reductions, which some governments see as courting high risks of encouraging responsibility, but national financial contributions, bank tax codes and supervisory requirements.

Authorities regain control of Kosovo

Continued from Page 1

In Prishtina, the provincial capital of Kosovo, representatives of the 1.8m ethnic Albanian majority said they had only been "temporarily cowed into submission by the police clamp-down and curfew."

All public gatherings, including local markets, have been banned throughout the province. The schools and universities remain closed, as well as cinemas and theatres. The Information Department in Prishtina said: "The curfew is having an effect," but did not say when it would be lifted.

In Prishtina itself, the city is decorated with the federal and party flags as well as the Kosovo black-eagled red flag. Heavily-armed policemen patrol the streets, although some who were stationed outside official buildings were yesterday napping in the sunshine. Groups of youths were being asked to produce proofs of identity, and cars were being searched at random. The heavy police presence is extended to other towns throughout the province.

On the road between Prishtina and the western town of Pec, regarded by many Serbs to be the cradle of their culture, six tanks could be seen yesterday rumbling towards the capital of Kosovo. Armed police have also booked into the hotels in the main towns.

Senior party and state officials from Kosovo have so far been reluctant to comment on whether or not the Albanians had organised themselves into a fighting force for the demonstrations and on the extent to which they were armed. One official yesterday would only say that "nationalists and separatists" were behind the riots.

It is highly likely, however, that sections of the ethnic Albanian community and the 200,000-strong Serbian minority in the province have access to weapons. Officials in Kosovo yesterday declined to comment on whether they had discovered caches of arms. However, there is a growing belief among intellectuals that although the authorities may be tightening their grip on the province, the calm may only be a temporary one.

Agencies in bid battle

Continued from Page 1

BMP, by contrast, merged with Davidson Pearce last June and made £5.05m in the six months to the end of September. Brokers Phillips & Drew forecasts £12.5m for the current year, including a £1m pension fund contribution.

BDDP is funding the offer by a financing package put together by its advisers, Charterhouse. The precise size of this is not disclosed, but it comprises about 60 per cent senior debt, 15 per cent mezzanine finance, and 25 per cent equity. The three institutions – including Charterhouse – which currently own 10 per cent of BDDP are involved in the equity package

WORLD WEATHER

[illegible]

Interest rates unchanged

Continued from Page 1

quite disappointing. Export growth has remained anaemic despite strong growth in world trade and a marked slowdown in domestic demand at home. If this is the best we can do then it has to be an argument for allowing the pound to fall to help competitiveness."

The Treasury said that the current account would be the last indicator to show signs of responding to high interest rates. It noted, however, that exports were still at record levels and that export growth remained robust; some time during this year the rate of growth in exports would exceed that of imports.

Mr Bryan Gould, the opposition Labour Party's trade spokesman, said that interest rates would have to rise to defend the pound. He noted that February was the fifth month in which the trade deficit had run at an annual rate of more than £20bn.

The pound closed at DM3.1975, compared with DM3.20 on Tuesday and at $1.6905 against $1.6885 previously.

The FT-SE 100 Share Index closed 1.2 higher at 2,071.7 and the FT Ordinary Share Index closed 2.5 lower at 1,705.5.

Zhao Ziyang: fight for life

Economic ills put paid to Chinese liberalism

By Peter Ellingsen in Peking

CHINA'S liberal intellectuals are adopting a high profile these days. Leading academics and writers have risked official censure by advocating open debate and human rights.

Students have called on the Communist party to end Marxism and declare an amnesty for political prisoners. Young men like Shanghai writer Chen Jun are calling once again for the freedom of Wei Jingsheng, China's best known prisoner of conscience, who was jailed after the "Peking Spring," the pro-democracy movement which swept the country 10 years ago.

It would be tempting to conclude from all this activity that the stage is set for a more measured and successful assault on state despotism. Unfortunately this year's outbreak of optimism and free speech – unlike that in the Soviet Union – already looks doomed.

Not only has the party signalled a willingness to crush dissent – the ruthless response to the recent unrest in Tibet confirmed that – but it has also developed a taste for the "conservative" ideals many believed retired with their ageing advocates during the heyday of reform in 1985.

China is struggling through an economic crisis with raging inflation forcing an ever-widening split between the reformers and the conservatives, a few of whom seem to be hankering after the "good old" bad old days of Chairman Mao.

Mao badges are again popular in Hunan province, the home of the "great helmsman," and in Shenyang, capital of north-eastern Liaoning province, newspapers have started a campaign extolling Lei Feng, a model worker praised by Mao for his devotion to communism.

Yu Guangyuan, an academic who once advised Zhao Ziyang, Party General Secretary and a liberal protege of Deng Xiaoping, China's senior leader, summed up the position thus: "The remnant leftists are again making waves." The point was underlined earlier this month when public security officials prevented "The Thinkers" a new avant-garde magazine, being launched in the capital.

As China tries to get a grip on its wayward economy, it is also clamping down on freedom of expression. Zhao is increasingly having to fight for his political life as the conservatives led by Li Peng, the Premier, and Yao Yilin, the Vice Premier, use the economic ills to score points against the reformers.

With the fate of his predecessor, Hu Yaobang, removed from office after student demonstrations two years ago, never far from his mind, Zhao has shelved not only his more ambitious economic reforms, but also the political reform he once talked of.

The ordinary Chinese peasant may not be aware of, or even care about, the intensity of the factional wrangling, but he knows all about the rot the academics are talking of.

True to tradition, the people communicate in street poetry, a current example of which goes: "Poverty? Nobody can beat a professor. Stupidity? Nobody can beat a graduate student. Rotten to the core? Nobody can beat the Communist Party of China." It neatly sums up the income inequality that is turning many of the young away from study.

But even though the government has said it will adjust wages there is little hope of real improvement. Some disillusioned reformers are wondering aloud whether only an all-powerful leader can prevent the country collapsing.

According to this theory, China is not ready for democracy and must, like Taiwan and South Korea, first improve its economy by temporarily relying on a benevolent despot who strongly backs contact with the West.

THE LEX COLUMN

Weighing Magnet's attractions

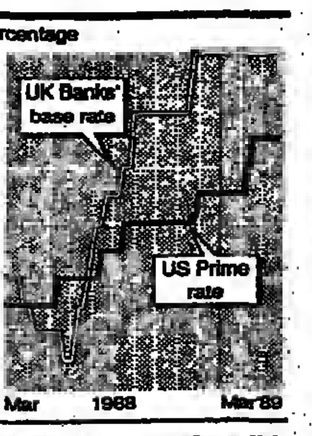
In its final form, the management bid for Magnet is rather a sophisticated affair. The value of the offer is not specified; in effect, shareholders are to get 300p in cash for 80 per cent of their holding, and are to retain a 20 per cent interest in the company when re-floated or re-financed. Some shareholders might perhaps prefer a 100 per cent cash offer. But if buy-outs of public companies are to become commonplace, there is something to be said for investors copying the now standard practice of companies which sell divisions to management and keep a stake as insurance against under-pricing.

With Magnet's shares at 309p yesterday, the market evidently values the equity stake well below the 31p suggested for illustrative purposes by the company's backers. But the outlook is exceptionally difficult to assess. A highly leveraged retailer runs a double risk if the Chancellor raises interest rates to choke off demand; and for Magnet, as for MFI, there is the further risk of operational gearing through its vertically integrated structure. As bidders for the company, the management are obviously not out to lighten the gloom. It is the less satisfactory that while the non-executive directors have produced a guarded recommendation to shareholders to accept, their advisers Kleinwort have remained firmly on the fence.

The ethical position of management in such cases remains unclear, if only on grounds of conflict of interest. But it is Mr Duxbury's contention that the share price had fallen to a level which risked takeover on the cheap. It might be argued that such a takeover has indeed materialised. But after all, once the profits forecast is out with next week's offer document, rival bidders will know what to shoot at. If none appears, it could be inferred that the management's bid represents full value after all.

GRE

The news that yet another composite insurer has made abnormally large sums of money in the UK is scarcely the stuff of excitement in the stock market. GRE's peers set the pace for profits and dividends in the sector earlier this month, and it was not about to let the side down on either score – least of all on the dividend, which it thought politic to increase by several points above expectation.



Given the strength of GRE's balance sheet, a degree of largesse could continue well into the future. Since 1970, the company has never failed to increase the dividend by over 10 per cent, and it should manage at least half again that level for years to come. Underlying growth of the business will not sustain such generosity, but the balance sheet should do so without strain.

Whether GRE thinks a straight give-away is the best use of the company's capital must remain doubtful. For the moment, at least, it seems inclined to spend a fair amount generating earnings in Europe – recently on acquisitions in Ireland and Italy, tomorrow perhaps in Spain. One day, all of that could make the company look attractive to a Euro-minded predator; but not yet awhile.

BMP

Ever since WPP walked away with JWT in 1987, the old idea that contested takeover bids could not succeed in a people business like the advertising industry has looked rather tenuous. Nevertheless, the idea of a modest French company mounting a highly leveraged bid for a considerably bigger and more profitable company like BMP is, to say the least, adventurous. Whereas JWT had a terrible financial record and ademoralised management, and promised plenty of scope for margin improvement, the worst that can be said about BMP's financial performance is that it is rather pedestrian.

Contested bids can work where management has lost its way, but this is not the case here. Indeed, given that there is little room to raise margins and that there is always a danger of some of BMP's business and management walking away, the interest rate cover on the proposed deal is already looking rather thin. Continental banks may be more used to taking equity risks, but they will have to stretch themselves a long way beyond the present offer – 11 times next year's earnings – if they are to succeed.

UK trade figures

Sterling had already fallen sharply on Tuesday, so its failure to react yesterday to the third worst set of UK trade figures on record is perhaps excusable. Nevertheless, the indifference of the UK gilt-edged and money markets to a UK current account deficit which, on the basis of the first two months of 1989, is running at an annual rate of £20bn is evidence of a rather unworldly mood.

One month's figures may be erratic, but two months of bad trade figures are positively disturbing. With import volumes still growing just as rapidly as export volumes, it is hard to see what is going to trigger an abrupt improvement barring a recession – and the equity market is not betting on this. As for interest rates, the decision is out of the Chancellor's hands. The combination of no improvement in the UK trade position and a deterioration in the inflation outlook, at a time when the rest of the world's interest rates are still rising, exposes the weakness of the conventional wisdom that 13 per cent UK base rates are about right.

British Gas

The City has never liked Sir Denis for his sharp tongue, but his worst failing in the market's eyes is his perceived meanness. If shareholders expect the new chairman to ease himself into office with a nice fat rise in the dividend, they may be disappointed. That does not mean, however, that Mr Evans will do nothing for the share price. He is clearly determined to improve the company's poor image, and talking to the City a bit more is the right way to go about it. Of course, he has not yet learnt to speak a language they understand, but he is allowing himself a good long time in which to learn it.

SECTION III

FINANCIAL TIMES SURVEY

The move to a European Community internal market has stimulated a period of rapid change in the liberalisation of Nordic financial markets. The banking system of the region will be revolutionised and brought into line with the EC, writes **Robert Taylor**

SWEDEN Bank	Assets ($bn)	Capital ($m)	Pre-tax profits ($m)	Pre-tax profits on assets (%) 1987	1986	Capital/assets ratio (%) 1987	1986	Pre-tax profits /employee ($)
S-E-Banken	38,960	2,872	712	1.86	2.16	7.18	7.02	77,846
Svenska Handelsbanken	34,836	2,305	503	1.84	2.16	[illegible]	7.16	78,058
SwedBank	32,110	[illegible]	129	0.42	0.12	2.18	2.91	108,882
PKbanken	31,027	[illegible]	451	1.47	0.63	5.78	4.88	98,947
Nordbanken	[illegible]	[illegible]	74	1.08	na	1.44	[illegible]	30,606
Götabanken	[illegible]	[illegible]	160	1.84	[illegible]	6.65	5.31	63,724
Första Sparbanken	[illegible]	[illegible]	36	0.65	1.80	8.05	6.45	12,430
Total	[illegible]	[illegible]	2,055	1.35	1.30	5.36	5.52	71,954

NORWAY Bank	Assets ($m)	Capital ($m)	Pre-tax profits ($m)	Pre-tax profits on assets (%) 1987	1986	Capital/assets ratio (%) 1987	1986	Pre-tax profits /employee ($)
Den norske Creditbank	20,916	515	-237	-1.14	0.37	2.48	4.80	-18,303
Christiania	18,794	466	-51	-0.28	0.86	[illegible]	3.26	-9,650
Bergen Bank	15,965	540	54	0.36	0.92	[illegible]	3.19	12,632
Union Bank of Norway	9,058	[illegible]	-8	-0.10	0.40	2.54	3.61	-3,133
Fokus	5,404	219	-30	-0.41	na	4.05	[illegible]	[illegible]
Total	70,100	[illegible]	-282	-0.69	0.58	2.82	[illegible]	[illegible]

DENMARK Bank	Assets ($m)	Capital ($m)	Pre-tax profits ($m)	Pre-tax profits on assets (%) 1987	1986	Capital/assets ratio (%) 1987	1986	Pre-tax profits /employee ($)
Den Danske Bank	22,776	[illegible]	[illegible]	[illegible]	0.11	8.08	[illegible]	[illegible]
Copenhagen Handelsbank	[illegible]	[illegible]	35	0.20	[illegible]	6.74	[illegible]	[illegible]
Privatbanken	15,871	[illegible]	48	0.32	0.10	5.38	5.19	[illegible]
Sparekassen SDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Provinsbanken	8,477	627	[illegible]	0.62	[illegible]	[illegible]	[illegible]	[illegible]
Bikuben	[illegible]	770	7	0.08	na	[illegible]	[illegible]	[illegible]
Andelsbanken Danebank	[illegible]	[illegible]	70	[illegible]	0.05	[illegible]	[illegible]	[illegible]
Jyske	7,801	[illegible]	28	0.37	-0.13	8.09	[illegible]	[illegible]
Total	103,265	[illegible]	817	[illegible]	[illegible]	[illegible]	[illegible]	14,181

FINLAND Bank	Assets ($m)	Capital ($m)	Pre-tax profits ($m)	Pre-tax profits on assets (%) 1987	1986	Capital/assets ratio (%) 1987	1986	Pre-tax profits /employee ($)
Kansallis-Osake-Pankki	29,730	1,730	105	[illegible]	0.48	[illegible]	6.77	[illegible]
Union Bank of Finland	28,007	2,061	[illegible]	0.48	[illegible]	7.18	[illegible]	[illegible]
Postipankki	16,104	620	30	[illegible]	[illegible]	3.83	[illegible]	[illegible]
Skopbank	11,290	[illegible]	71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Okobank	7,805	[illegible]	17	[illegible]	0.46	6.26	7.35	10,718
Total	93,946	[illegible]	358	0.40	0.57	[illegible]	[illegible]	[illegible]

ICELAND Bank	Assets ([illegible])	Capital	Pre/tax profit	Fin. year
LANDSBANKI ISLANDS (National Bank of Iceland)	65,616	4,249	247.1	1988
BUNADARBANKI ISLANDS (The Agricultural Bank of Iceland)	24,734	1,782	330.4	1988
UTVEGSBANKI ISLANDS (Fisheries Bank of Iceland)	12,868	1,229	221.3	1987

NORDIC BANKING

CONTENTS

Figures above from The Banker (Iceland figures from the banks)

Adjusting to a growing dynamic

THE NORDIC region – one of the world's richest areas – looks as though it is entering a period of relative slowdown in its economic growth at a time when it has to adjust its financial system to the growing dynamic of the European Community's internal market.

For the Nordic region as a whole, 1989 is likely to record an average fall in total domestic demand (down from 1.5 per cent last year to 0.9 per cent this) as well as a slowdown in the export and import of goods and services, according to the recent forecasts from the employer federations. The rate of industrial production also looks set to drop, from an increase of 2.1 per cent last year to a rise of only 1.4 per cent in 1989.

All five Nordic countries are going to have deficits on their current accounts for this year of roughly the same overall magnitude as in 1988, which amounted to a total negative figure of $10.8bn. However, Norway is set to enjoy an improvement in its current account as a result of a modest upturn in oil prices, while in Denmark, too, there looks like being a decline in the size of its negative current account.

The position is somewhat different in Sweden and Finland, where the economies have become overheated with an erosion of international competitiveness, chronic labour shortages in key export industries, falling levels of investment and rising inflation. None of this constitutes a serious crisis at the moment but the outlook in the Nordic region is growing more uncertain than it has been for some time.

In its latest economic forecasts which go up to 1990 the Organisation for Economic Co-operation and Development confirms the general picture drawn by the Nordic employer organisations. OECD believes that Finland will have to tighten its fiscal policy next year because of its growing external deficit, with worries over inflation, rising labour costs and declining business investment.

It is against this relatively modest economic background over the next two years that the Nordic countries will have to meet the challenge of the move to the internal market inside the European Community. This has already stimulated a period of rapid change in the liberalisation and deregulation of its financial markets, which promises to revolutionise the banking system of the region and bring it into line with the EC.

The present pace of change, however, remains uneven between the Nordic countries, although all of them are committed to an acceptance of the free movement of capital in western Europe.

Certainly delegates to last month's annual conference of the Nordic Council in Stockholm recognised that the dynamic of 1992 is starting to make a major impact on the economic outlook of the entire region. As a result, they agreed to accept a three year economic action plan which involves – among many objectives – a firm commitment to the creation of open financial markets across the region. The traditional restrictions and regulations that tended to protect them from the competition of the outside world are being gradually dismantled.

But there is little doubt that the four non-EC Nordic countries – Finland, Iceland, Norway and Sweden – have recognised the urgent necessity of bringing their own financial sectors into line with those of the European Community.

The Nordic countries have accepted that this will require a nnmber of important changes. It will mean, for example, the opening np of Nordic financial markets to foreign competition. The action plan admits bluntly that this will involve the unimpeded exchange of financial services across national borders.

Over the past few months the most dramatic developments towards this objective have taken place in Sweden. The ruling Social Democrats, under the powerful direction of their finance minister Mr Kjell-Olof Feldt, with the invaluable support of the governor of the Central Bank, Mr Bengt Dennis, have launched on an ambitious and controversial programme to liberalise the Swedish economy since their general election victory last September. The declared purpose is to make the country a much more open and competitive market economy.

In early November it was announced that foreigners would be allowed to invest in Swedish government bonds for the first time, while Swedish investors – who are currently restricted in investing abroad – were given complete freedom to invest in real estate and foreign equities.

Later in the same month Mr Feldt announced his radical tax reform plan which is to be implemented early in 1991 with the abolition of central government imposed income tax and a shift to the wider use of indirect taxation as well as sharper taxation on capital gains and corporations.

It is true that Mr Feldt took advantage of the holiday season to introduce two new taxes on New Year's Eve with a one-off 15 per cent levy on the 1988 profits of Swedish companies and a tightening of the capital gains tax, but neither measure did much to upset the general mood of optimism that has made the Stockholm stock market one of the most impressive in the world for much of the past 12 months with a 50 per cent rise in its general index.

Certainly this year's budget published in January suggests that the liberalisation strategy has not run out of steam. It was announced then that Swedes will be allowed in future to invest in interest-bearing securities abroad and have foreign bank deposits as well as acquire real estate abroad while foreigners will be able to make the equivalent investments in Sweden.

As a direct result of the liberalisation steps considerable amounts of money moved out of Sweden and on to the Oslo and Helsinki stock markets where prices rose steeply.

Mr Feldt also announced that later this year Sweden intends to abolish its foreign exchange controls which were brought into force half a century ago, originally as a temporary wartime measure. This promises to provoke a major shake-up in the financial markets, though opinion seems divided on whether this will lead to a net inflow or outflow of capital.

The pace of liberalisation has been less dramatic in Finland but the trend remains unmistakable. It was back in 1986 that the Finnish government announced a relaxation in its foreign exchange regulations, giving permission for investments in foreign securities and in funds held in accounts with foreign monetary institutions up to a maximum of FM10,000 a year per resident. Later that year the Bank of Finland brought the banks' domestic foreign currency deposits onto an equal footing with the banks' own foreign borrowing, and removed the higher limit on foreign financing credits for imports.

Last August Finland went much further. It extended the right to purchase foreign securities to private companies and households. But in its strategy document on the impact of 1992 on the Finnish economy published last November, the Finnish government acknowledged that it still retained more comprehensive foreign exchange controls than most other industrial countries. It was made very clear that further developments would have to wait on what happened in the financial markets and in the wider economic situation.

The outlook in Norway is very much conditioned by the needs of the government's present so-called stabilisation policy but also by the recent travails of the banks. In 1987 alone losses amounted to NKr6bn, around 1 per cent of assets, and the losses are likely to continue at least until 1990. Mr Hermod Skånland declared last November that the banks were "now taking very forceful steps to cut down on expenditures". And he added: "I don't think there is much reason for concern abont their general solidity. The danger is rather that they will have to concentrate on maintaining their capital ratio to the extent that there will be very little room for expansion and that they, in the process, will become risk-averse, thereby limiting their contribution to the necessary restructuring of the economy."

However, the Norwegian government said in its 1989 national budget statement that its intention was to go on liberalising the financial markets, expanding Norwegian companies' scope for long-term foreign borrowing. However, it has also made it clear that it does not intend to ease the present prohibition on foreigners owning Norwegian bonds until the country's economy is restored to health and interest rates can be cut.

Understandably, deregulation has gone the furthest in Denmark as an EC member since 1973. Foreigners were allowed to buy government securities as long ago as 1983 in Denmark while restrictions on the purchase of treasury bills were lifted last October.

Sara Webb on the details of economic reform and financial deregulation

Remaining barriers to be swept aside

SWEDEN'S ruling Social Democrats have been swift to pull one surprise after another out of the hat since being re-elected last September, indicating a clear change of direction in terms of economic policy with the emphasis being placed very firmly on supply-side economics, deregulation and restructuring.

New proposals (calculated to stimulate supply rather than just sqneeze demand) have flooded in thick and fast since the start of another three-year mandate. The government now plans to slash subsidies to such sacred cows as the textile, housing and agricultural sectors, and improve efficiency in the public sector.

There will be a huge inflow of capital

The tax system is to be completely overhauled in the 1990s, hringing down marginal tax rates (which are among the world's highest) while broadening the base for capital gains tax and indirect taxes.

And in a move to sweep aside all barriers to the free movement of capital, the hard core of Sweden's foreign exchange controls (which date from the Second World War) will be abolished in the spring. The move is expected to have a significant effect on the domestic capital and equity markets as well as on the pattern of Swedish investment abroad.

The prime mover in all this has been Mr Kjell-Olof Feldt, the finance minister. He has opposed the traditional left-wingers in tbe Social Democratic Party such as the foreign minister, Mr Sten Andersson, and led a debate in the party press ahout the virtues and importance of the market economy.

Mr Feldt has several like-minded thinkers in his ministry (known as "Feldt's lads" in the Swedish press) as well as supporters at the Central Bank, or Riksbank, where his old friend and ally, Mr Bengt Dennis, has been governor since 1982.

Mr Dennis and Mr Feldt are no strangers when it comes to working together. Both were at the foreign trade department in the first half of the 1970s (Mr Dennis was under-secretary of state when Mr Feldt was the minister).

And it is always assumed in Swedish business circles that there is very little the two have not discussed in terms of policy before either one makes a statement in public on the economic front – though as Central Bank governor Mr Dennis is not necessarily expected to tow the party line and has, on occasions, fiercely criticised the left flank.

A former editor of Dagens Nyheter, the biggest Swedish quality paper, and in his youth a student of the Chinese agricultural system, Mr Dennis has been admired in business circles for his drive towards the deregulation of the Swedish financial markets.

Sweden has appeared slow hy international etandards when it comes to deregulating the banking system and capital markets, although the economic difficulties of the 1970s, large budget deficit and current account deficit were used as an excuse for holding on to controls.

Now, on the 50th anniversary of the introduction of exchange controls, the final remnants will be abolished, allowing foreigners to invest in Swedish bonds – something the government had been reluctant to permit because of fears that it could allow foreign intervention in monetary policy – while Swedes will be allowed to invest in foreign bonds and open foreign currency accounts.

So far, there has been virtually no opposition and the proposal is expected to pase through parliament in the spring. "I expected to see much more opposition to foreign exchange controls being lifted, hut the trade unions seem bewildered hy the pace of change," says Mr Dennis.

Although the necessary legislation will remain in place to reintrodnce the controls in case of emergency, Mr Dennis supports the idea of having a "sufficiently high threshold" to discourage politicians from resorting to such steps. "The market must be convinced we will not turn back," he says.

The Riksbank governor and finance minister have engineered other changes, too, in the past years. Restrictions on Swedes investing in foreign equities were completely lifted this year. In 1986 Swedish companies were allowed to make direct investments overseas, precipitating a buying spree in the major European capitals. Insurance companies were granted permission to invest in real estate overseas this year.

SWEDEN

There has been a debate about the supposed effects that lifting exchange controls will have on interest rates. Most economists maintain that the exchange controls have had the effect of keeping interest rates 1.5 to 2 percentage points higher than would otherwise have been expected.

Once clear signals emerged that tbe controls would be lifted, however, interest rates fell hy 1 percentage point and some economists now argue that they are unlikely to come down further once the controls are actually lifted.

Bnt no one doubts that there will be a buge inflow of capital once restrictions are removed, accompanied by a more gradual outflow of Swedish investors' funds.

During the 1980s the government has gradually lifted controls and liberalised the financial markets, giving the banks a real taste of freedom. The lifting of both price and volume controls on bank lending in 1985 allowed the banks to meet the enormous demand from industry and private customers. Lending surged, and the banks reported bumper profits in 1986.

The increases in 1987 and 1988 have naturally been on a smaller scale as the rise in the volume of lending has started to flatten out now and interest margins have been coming down. The two largest banks have been forced to increase their shareholders' capital this year to deal with the rapid growth of assets.

"The years after 1985 were exceptional for Swedish banks," said one prominent banker. Mr Tom Hedelius, chief executive officer at Svenska Handelsbanken, the second largest commercial bank, said growth had started to slow down making 1988 "a more normal year" for Swedish banks.

"Volumes have been the main factor behind the profit growth, and the conditions last year were very good. This year cost increases have to be kept down but it looks like being a good year too," says Mr Jacob Palmstierna, chief executive elect at Skandinaviska Enskilda Banken, the leading Swedish commercial bank.

Commissions from foreign exchange husiness have increased but some of the banks have suffered from falling commissions on the bond and money market side.

Mr Palmstierna believes that the reform of the tax system is likely to have "a profound effect on the demand for credit," since most Swedes have used deductions for borrowing to help lower their income tax rates.

Many of the changes in Sweden have been prompted by concern over what is going on in the EC as 1992 approaches, especially when it comes to the free movement of capital. Swedish bankers realise that the banks here are small to medium by European standards and that the way to compete in future is by building up a strong base in the Nordic market.

There is concern about the EC and 1992

There have been attempts to forge links already. The Gota group, which inclndes Gotabanken (Sweden's fourth largest commercial bank) and Wermlandsbanken (a regional bank) has already set up links through a holding company structure with Kansallis-Osake-Pankki (KOP) of Finland as a starting point for a large financial services house. On the insurance side, Skandia has taken several steps to broaden its reach across the Nordic region in readiness for competition from abroad. But it will require the lifting of restrictions on the ownership of Swedish banks by foreigners before a truly Nordic bank can be established – and a timetable has not been set for that change yet.

Mr Feldt's "shift to the right", as the trade unions sometimes refer to it, has not always proved easy to achieve without first making some political sacrifices, primarily in the form of new taxes slapped onto the financial markets.

One such gesture, aimed at keeping the unions quiet, was to impose a turnover tax on money market instruments, options and futures at the start of 1989. The new tax has already taken its toll. Sofe, one of the two options markets in Stockholm, closed down soon after the tax came into force. In fact, when the announcement was made last spring that a new turnover tax would be imposed in 1989, market makers started to wind down their operations ahead of time. For the time being it seems very unlikely that Sofe will be able to restart its exchange operations.

Wage earner funds are unlikely to pose a serious threat

An increasingly obsolete collective approach

SWEDEN'S five so-called wage earner funds have hardly turned ont to be the major threat to the well-being of the Swedish financial system that many employers feared when they were introduced five years ago. They still, however, arouse considerable hostility.

Originally proposed in 1975 by the country's blue-collar trade union organisation, the LO, as a method for acquiring an eventual collective trade union control of Swedisb industry, the funds, in practice, bear very little resemblance to their original purpose. For nearly 10 years, however, the Social Democrats campaigned half-heartedly for the idea of the funds. They aroused little popular enthusiasm among workers but provoked an extraordinary degree of employer resistance with marches and demonstrations.

Many observers believe that the wage earner funds idea cost the Social Democrats the 1976 general election. On their return to power six years later, however, they were anxious to bury the qnestion as quickly as possible. They devised a very modest scheme, which was the minimum acceptable to the unions but did not go far enough to antagonise the financial community too drastically.

Five regionally based funds were established within the framework of the country's state-run supplementary pensions system, to be administered by nine member boards of which at least five were to be appointed from the trade unions. Each fund's holdings were to be limited to shares representing 8 per cent of a company's voting rights. The five funds togetber could acquire 40 per cent interest in a publicly quoted company (at least in theory) but each fund is also limited in the annual allocation of capital to SKr400m (£37m) a year up to and including 1990 when the funds are supposed to be completed.

By next year the funds are likely to account for 5-6 per cent of the value of all listed shares on the Swedish stock market. The funds have a commercial ohjective, heing required to earn a real rate of interest of 3 per cent. Each year the funds transfer the returns on their investments to the National Pension Fund (ATP) which merges them with the general pension funds and invests in fixed income securities.

As the American Brookings Institute observed in its 1987 report on Sweden: "It seems clear that the ultimate legislation produced a capital-sharing plan that was not well suited to the social and distributional goals of some original proponents of the approach."

Under the 1983 legislation the five funds are financed by a combination of 0.2 per cent in the payroll tax and a special profit-sharing tax. A maximum sum of SKr2bn was to be diverted each year until 1990. The funds now have total assets of SKr25bn invested in equities. The market capitalisation of all listed companies in Sweden excluding shares they own in each others companies totals SKr470bn.

Half the workers in the companies that operate convertibles have joined the system

Despite continuing employer fears about what might happen after 1990, the wage earner funds do not look like a serious threat to the present financial system. Moreover, there is a deep reluctance among the Social Democrats to re-open the issue next year, whatever the LO might want to see happen.

Indeed, the whole idea of collectively controlled trade union funds seems to be increasingly obsolete in the present competitive, entrepreneurial climate in Sweden. Indeed, the country during the 1980s has experienced a much more significant long-term development that is doing a great deal to change popular attitudes to share-ownership. An increasing number of workers in the private sector of industry employed by the large, and at the moment profitable, companies are displaying an acquisitive taste for a share in the prosperity of the factories where they work – mnch to the alarm of the unions who want to defend traditional policies.

It is the provision of personal convertible loans that is causing the controversy. The system is very well developed in Sweden and it works very easily. The worker lends his company a sum of money over a certain period of time with a good rate of interest for a specified period of time, say from five to ten years. This loan is a kind of promissory note which can be exchanged for shares in the company. If a worker does not want to own any of his employer's shares then he receives back the original amount with the accrued interest at the end of the loan period.

A study of the convertihles revolution has recently been carried out by the Swedish trade union research institute, the Arbetlivscentrum. They were first issued back in 1978 but it was not until the middle of the 1980s that worker convertibles became much more widespread in the privste sector of industry. It is estimated that at least 200,000 people are taking advantage of the system and the convertibles now amount to a total value of at least SKr13bn. Around half the workers on average in the companies that operate convertibles have joined the system.

For many Swedish companies, which are enjoying record levels of profitability, the convertibles have become a way of rewarding their employees with extra financial inducements, although they do not appear to have given workers any increased influence over their management either before or after their loans to their company are converted into shares. The unions would like to see the convertibles taxed, a typically Swedish form of disapproval but, up until now, the government has not been ready to do this. But the country's huge public service labour force feels deprived because it is outside the market and cannot therefore take advantage of convertibles. On the other hand, convertibles can be seen as a kind of financial safety-valve that goes some way to stem labour turnover and provide a means for workers to better themselves without inflationary wage increases.

For the time being, there can be no doubt that convertibles, rather than the wage earner funds, reflect the mood of today's Sweden.

Robert Taylor

Stockholm Stock Exchange is getting a new trading system

Creating a true Nordic market

BEHIND THE Stockholm Stock Exchange's elegant 18th century facade, there are changes taking place aimed at helping to usher in a new era fit for the 1990s. The introduction of automated trading this summer, in lieu of the existing call-over and after-market trading arrangements, promises to help turn Stockholm into a more efficient market.

The emphasis on screen-based trading and on linking up with the other Nordic exchanges has arisen out of an awareness that the Stockholm bourse must be as efficient and modern as possible if it is to win back investors from overseas and regain its position as the leading place to trade Swedish equities.

"We want to create a true Nordic market," says Mr Bengt Ryden, the Stockholm bourse chief executive who believes that the switch in automated trading will strengthen the competitiveness of the market and lead to lower transaction costs and improved liquidity.

He wants to see a greater interest in the Nordic exchanges from abroad and believes that the four bourses – Stockholm, Helsinki, Oslo and Copenhagen – will ultimately benefit by improving the spread of financial information. In future a joint information system will be hooked up to subscribers in London and New York via satellite.

The new trading system, known as SAX or Stockholm Automated Exchange, is due to start in June and become fully operational during 1990, following a gradual changeover period.

Once the new system comes into force there will no longer be any need for brokers to trade on the stock exchange floor, which is housed in one of Stockholm's most elegant buildings in the old part of town.

Stockholm's once sleepy bourse has witnessed a boom in the 1980s. Foreign investors recognised the importance of such international companies as Volvo, Ericsson, Electrolux and SKF, but when the government decided to double the turnover tax on share transactions in 1986, thereby bumping up the average transaction cost, foreign investors took their custom elsewhere.

Today, more trading is done in the shares of Sweden's main blue chips in London than in Stockholm itself and Mr Ryden calculates that one third of the turnover in Swedish equities is conducted abroad.

Though he believes that foreigners will eventually be granted an exemption from the turnover tax in a bid to woo them back, his priority for now is to modernise the exchange.

The bourse is spanding SKr60m on developing and running SAX over the next five years. The system will allow orders to be sorted and matched automatically, and though it will initially be used for trading in equities, it could also be extended to include trading in bonds, convertibles and other financial instruments in future.

The Stockholm stock market was one of Europe's top performers in 1988 with a 50 per cent climb in the index, and the momentum has kept up during 1989.

One of the main reasons has been the strong performance of much of Swedish industry. But, on top of that, Swedish investors have been restricted

The bourse was a top performer in 1988

in their choice of outlets so they have tended to pour their funds into Swedisb equities. The exchange controls which date from the Second World War will be completely abolished this year and, in January, Swedes were given permission to invest freely in foreign equities.

Before 1989 the ownership of foreign equities was restricted to a pool of licences or switch rights, and in order to buy into the pool, investors had to pay a premium. The premium fluctuated and could add as much as 20 per cent to the cost of the deal. It was meant to prevent a flood of money out of Swedish equities and into other international markets.

This year, the Riksbank abolished the restriction on investing in foreign equities, admitting that it had over-estimated demand for foreign equities. Investors responded by buying Norwegian and Finnish shares in the following weeks: but while institutional investors remain interested in placing money overseas, their approach has been cautious and they appear to be sticking to the more familiar Nordic markets while building up their research into other international markets.

Sara Webb

The state bank is adapting to a new climate

An impressive rate of change

"IT'S fantastic to be a banker these days," says Mr Christer Zetterberg with a sincere, if somewhat muted enthusiasm. "Before 1985, a bank was basically a sheltered workshop – I would never have been tempted to work there. But the pace of change in deregulating has been very impressive and we really do have free competition now."

Mr Zetterberg was plucked last year from private industry to become chief executive at PKbanken, the state-controlled commercial bank and Sweden's third largest quoted bank. He had been managing director of the forestry group Holmen, and had no banking experience on his curriculum vitae.

As the outgoing chief executive, Mr Bertil Danielsson, put it when he retired from the post: "We have been looking for a leading industrialist to take over. Industrialists have experience of how to operate a big company. We already have a lot of bankers inside the bank."

It is, however, yet another indication that the state bank is keen to slough off any vestiges of its rather staid image and be taken seriously as one of Sweden's most competitive commercial banks. There have always been those in the non-socialist camp who refused to do business – as a matter of principle – with a state bank: but their numbers have dwindled since PKbanken joined the other banks in trying to offer the most competitive service to corporate customers. And since Mr Zetterberg took over, he has not wasted time in pushing ahead with strategic acquisitions.

PKbanken was formed in 1974 through the fusion of Postbanken and Sveriges Kreditbank in order to merge the

No time has been wasted in pushing ahead with strategic acquisitions

state's banking resources into a force capable of competing with the two main banks – Skandinaviska Enskilda Banken, and Svenska Handelsbanken. At the time it was Sweden's largest deposit-taker, and was almost entirely engaged in retail business with some lending to mortgage institutions.

Since then, it has adopted a strategy of cutting into the corporate business sector in order to win a healthy share on the commission income side, in addition to the normal lending operations. This strategy has succeeded: the corporate side now accounts for SKr60bn (£5.5bn) out of a total of SKr244bn on the balance sheet.

Accommodating to changing climates and attitudes has not always proved easy. Mr Kjell-Olof Feldt, the Social Democrat finance minister who has been a driving force behind the opening up and expansion of Sweden's financial markets, is firmly in favour of having PKbanken as the third force in Swedish banking and has argued – at times against members of his own party – that the state bank should be as competitive as the others in a deregulated market.

Though the Social Democrats at one time had even discussed nationalising all the banks, PKbanken went ahead with a partial privatisation in 1984 which succeeded in raising SKr500m in new capital and reduced the state's holding to 85 per cent. But what should have been a milestone in the bank's brief lifetime was marred by the so-called Rainer scandal.

PKbanken made loans to Mr Ove Rainer, the Social Democrat Justice Minister and at one time the head of the Swedish Post Office, a position which entitled him to sit on the PKbanken board.

Mr Rainer used the loans to reduce his income tax payments – which was perfectly legal, but in the overly moralistic world of Sweden's Social Democrats was considered disgraceful. He resigned as Justice Minister, and the bank was censured for making a "serious misjndgment" in granting loans to a board member withont first seeking board approval. The government removed the bank's chairman from his post, and other board members resigned in protest at the decision.

The bank's reputation took a considerable battering at the time, though it soon recovered and continned to pursue its goals of chasing commission based income.

Since taking over as chief executive a year ago, the 47-year-old Mr Zetterberg has done much to inject new blood and fresh ideas into the bank in order to meet the challenges of the rapidly changing financial environment in Sweden.

"I didn't expect to be a good banker, but you can at least apply the same rules as in industry – to become cost-effective, market oriented, and to plan for a more commercial environment in future," he claims.

This means waging a campaign to improve profitability on the private customer side and rethinking the corporate side's strategy.

Mr Zetterberg brought in McKinsey, the consulting group, to analyse what sort of strategy the bank should follow in future, and concluded that PKbanken now needs to focus on serving the interests of Nordic industry at home and overseas. This calls for strengthening the investment banking side in Europe and widening the bank's base in the Nordic region.

He points to the anomalous position of Swedish banks today compared with the rest of Swedisb business: whereas much of Swedish industry has expanded overseas to conquer new markets, the banks have been limited by restrictions at home until the 1980s and remain small by European

The bank now needs to focus on serving Nordic industry at home and overseas

standards. "Swedish industry is so multinational, bnt the banks lag far behind because they were so heavily regulated, and the possibilities to expand were limited."

The priority for PKbanken now is to acquire investment banking operations in France or West Germany to complement its operations in London where it bought English Trust in 1986 for £37.6m. Englisb Trust provided a "quick and easy route" into the UK corporate finance field. But Mr Zetterberg still sees the investment banking side as the bank's weakness where it loses customers in Swedish industry to the US or UK investment banks.

In the meantime, PKbanken has been swift to make other acquisitions. The brokerage side was strengthened by the acquisition of Carnegie, Sweden's leading brokerage house, last May. The deal helped to boost commission income during 1988 and lift the bank's operating profits last year by 38 per cent to SKr2.9bn.

The decision earlier this year to acquire Sweden's Investment Bank, a fully state-controlled bank which specialises in project financing for small and medium-sized companies, had two motives: to build up PKbanken's expertise on the risk assessment side, and to strengthen the bank's capital base, since it is paying for the deal in its own shares. This will increase the state's holding in PKbanken from 67 per cent to 70 per cent.

Of the main Swedish commercial banks, PKbanken has one of the smallest regional networks. Two years ago the previous management sought to rectify that situation by bidding for Gotabanken, the country's fourth largest quoted bank, but the offer was promptly turned down. In retrospect, Mr Zetterberg does not believe the move to bny another bank in Sweden a sound economic one. Instead, he wants the bank to establish a network of sales offices geared towards small and medium-sized companies in the regions

Sara Webb

Hilary Barnes reports on the banking scene in Denmark

Candidates for merger

MERGERS ARE in fashion in Denmark: the country's industrialists are convinced they have much to lose if companies do not become bigger. Mergers are also the talk of the banking world, but so far it has been more talk than action.

In the industrial world the reason for wanting mergers is the feeling that small firms will fail to cash in on the economies of scale when the EC's internal market is completed. in the banking world the EC and increased competition is a factor as well, but the sheer number of Danisb banks – about 70 commercial banks and almost 150 savings banks for a population of 5.1m – is also seen to be excessive.

DENMARK

The most likely candidates for a merger in the foreseeable future are Danske Bank, which is already Denmark's largest and most profitable bank, and Provinsbanken. Together their total assets would be about Kr240bn (£19bn), a figure which would place them along with the largest of the Nordic banks.

Danske Bank bolds 30 per cent of the shares in Provinsbanken and does not disguise its interest in a merger, but Provinsbank is making good money and is happy to remain independent.

If these two did get together, the other largest banks, Copenhagen Handelsbank, Privatbanken, and SDS (the savings bank) would find tbemselves dwarfed. Tbeir managements are not given to speculating aloud about these matters, bnt it can be taken for granted that this prospect has not escaped them. There has, in fact, been a thinning out over the past few years, especially among the commercial banks.

Nine banks and one savings bank have disappeared over the past three years after being absorbed by other banks, in most cases because small banks landed themselves in financial trouble in the wake of de-regulation of the financial markets.

Danske Bank's consolidation of its position as the biggest and most profitable bank has been one of the most remarkable developments of the past few years. Until the beginning of this decade, there was not much to choose between Danske Bank and its chief rival, Copenhagen Handelsbank, but under the management of Mr Tago Andersen, Danske Bank has steadily drawn away from its rivals.

Danske Bank's share capital and reserves at the end of last year totalled Kr10.6bn compared with Kr5.85bn in Privatbanken and Kr7.26bn in Copenhagen Handelsbank. Danske's pre-tax profits of Kr2.51bn were more than Privatbanken's and Handelsbanken's together (but as Danske paid Kr1.0bn in tax, while the other two paid little more than Kr300m together, the difference in the total net profits was not quite as great).

Last year was both a good and a bad year for the banks, tbe profits of whicb in any given year are strongly influenced by the state of the Danisb bond and share markets. The change over the year in the value of the securities portfolio, whether realised or not, goes with almost no adjustments into the profit and loss account.

With bond and share prices up sharply in 1988, the banks were almost all able to report a substantial increase in profits. Their operating earnings, however, were severely dented by large loss provisions. In many cases provisions were more than doubled.

The banks resent the suggestion that provisions tend to be inflated in years when the adjustment for security values shows a big profit, thus reducing their taxable profits, and in 1988 tbeir protestations were probably genuine. There was a 45 per cent increase in bank-

Continued on next page

A period of stabilisation is now expected in the Danish equity market

Shipping shares remain strong

DANISH INTEREST rates bucked the international trend in 1988 and moved down in both the long and the short-term markets, paving the way for a strong performance by the equity market.

Economic stagnation and weak demand for credit was one of the factors influencing developments, coupled with a rate of inflation consistent with a narrowing of the gap between the yields on Danish and German bonds.

Other, more epecific, changes also helped the corporate sector.

A Danish International Ship Register was established, enabling ships under the Danish flag to employ non-Danish personnel. The DIS, together with the revival in international demand for shipping services, sent the shipping share index up by 125 per cent in 1988, and shipping shares have remained strong in the first months of this year.

A change in the basis on which payroll taxes are raised last year contributed to a good performance by exporting companies. Payroll taxes were changed, in essence, to the value added tax principle, and VAT exempts exports. Thus wage costs in industry rose by only about one per cent in 1988, although wage rates were up by over six per cent. For companies which sell predominantly abroad, the change had an influence on profits.

The market continued to move up in January this year, but has subsequently stabilised, waiting, as one broker said, to see whether 1988 corporate accounts have lived np to expectations.

As always where the Danish equity market is concerned, a

Many brokers feel the system is too sophisticated for a small market

crucial influence arises from developmants in the much-larger bond market, and bond yields have, in turn, been influenced by the international tendency for interest rates to rise and, more especially, because German interest rates have moved up.

The general view among brokers in Copenhagen seems to be that the present market values are fair, perhaps leaving room for some increase over the year. But after last year's boom, a period of stabilisation is expected.

Copenhagen Stock Exchange has introduced what is probably the most advanced electronic trading system in operation any where in the world. In contrast to most other systems so far introduced, it is a genuine trading system, and not just an information system.

The system has been expensive to set np and, although technically it lives up to expectations, many brokers feel that the system is too sophisticated for a small market.

One major problem has arisen as well. Many of the smaller and less interesting shares and bond series are simply ignored by dealers, who concentrate on the large and liquid securities.

An attempt has been made to solve the problem by allocating periods each day when attention is snpposed to be focused on a particular group of papers – a reversion to an electronic equivalent of open outcry – bnt this does not seem to have solved the problem.

Last year saw the introduction of a market in futures and options, but unresolved problems of how profits and losses in the market should be taxed mean that the big institutional investors are not participating in the market, and until they do, the market will remain small. The tax problems are unlikely to be solved until next eutumn at the earliest, when they will be considered by the government in the context of other tax reforms which are in preparation.

Hilary Barnes

Candidates for merger

Continued from Page 3

ruptcies last year, as well as a 48 per cent increase in foreclosures against owner-occupied dwellings, two figures which indicate how hard-pressed the private sector was.

The large loss provisions mean that bank profits before the adjustment for the value of the securities portfolio and extraordinary items were not impressive. Privatbanken made Kr522m by this measure, np from Kr470m in 1987, but the parent bank made only Kr221m, down from Kr290m. Handelsbank made Kr381m and in the parent bank the result was a meagre Kr191m. SDS made Kr270m, down from Kr515m in 1987.

The profit performance of the banks from domestic business is causing the Danish Banker's Assocletion to emphasise that the banks must reduce their costs – not just slow-down the rate of increase in costs – over the next few years, arguing that consolidation is crucial in the current climate of financial deregulation and the increasing competition which this brings.

An interesting fact to emerge from the reports of the larger banks is that they are making good money from their subsidiaries abroad. About half of Privatbanken'e ordinary earnings were made in its Luxembourg subsidiary, returning a pre-tax profit of Kr133m and, in London, Kr96m.

A substantial part of the business done by the Danish banks abroad is with non-Danish business customers. The reason they are able to obtain this business is, they say, the high and personalised standard of customer service which is the norm in Denmark. When small and medium-sized businesses come across this treatment in the UK or the US, they are impressed.

The most significant change to take place in the Danish banking world this year concerns the savings banks, which are now permitted to convert themselves from self-owning institutions, controlled by their depositors, into joint stock companies. Since the early 1970s the savings banks have been permitted to do all the same kinds of business as the commercial banks, bnt they have been at a disadvantage with the commercial banks in that they cannot go to the market to raise new risk capital.

This has become possible through legislation which went onto the statute book at the New Year, but the legislation has left a trail of controversy. The opposition Social Democratic Party claims that the legislation may lead to the expropriation of the reserve capital in the savings bank, held by the depositor-guarantors, by the new shareholders.

The party is therefore planning to contest the conversion of the savings banks to joint stock companies in the courts. The Savings Bank Association says the Social Democrats are talking through the back of their hats and is advising banks which wish to change their status to go ahead.

First to change its statutes will be Bikuben, the second largest savings bank. SDS is expected to follow suit in the autumn. The legislation is designed to ensure that the democratic structure, which is characteristic of the savings banks, will not be destroyed. For example, the system by which depositors in local elections choose the board of directors will be maintained.

New investors buying shares in the savings banks will not be able to gain control either. No single shareholder will be able to vote for more than 10 per cent of the shares, and there will be differential voting rights. The accnmuleted reserves of the banks will be controlled by a foundation, which means that it will not be accessible for the direct control of the shareholders .

Karen Fossli on the gradual recovery of Norway's ailing banks

Move towards improved profitability

DRACONIAN cost-cntting measures introduced by Norway's ailing banks have begun to yield results towards improving profitability, despite a high level of loan losses which will be sustained et least throughout this year.

Consolidation of Norway's financial institutions in the form of more prudent lending practices and the necessity to meet more stringent capital requirements will bold in check the level of future expaneion, however, limiting the scope they have to contribute to the overhaul of Norway's economy.

To take the commercial banks, the volume of Den norske Creditbank's (one of Norway's top three banks) loans, for example, was cut by 10 per cent while costs have been pared by 20 per cent.

DnC suffered greater loan losses and losses on securities than its two main competitors, Bergen Bank and Christiania.

While the other two banks have benefited from a drop in interest rates – the central bank since May last year cut its key overnight lending rate to 11 per cent from an earlier high level of between 16 and 17 per cent, allowing the banks to increase profit margins on what they borrow and what they lend – DnC's non-performing assets continue significantly to affect its potential for generating revenue.

Indeed the bank admits that although net interest income as a percentage of total assets improved, interest payments on a number of non-performing loans made a negative contribution to its overall result.

For 1988 DnC revised npwards by NKr300m (£26m) losses on loans and guarantees to NKr1.8bn. However, DnC did progress. Pre-tax operating profits for last year reached NKr881m against a deficit in 1987 of NKr254m. At the net level the bank experienced a decrease in losses to NKr965m versus NKr1.470bn last time.

For the second year running, however, DnC will pass its dividend payment.

Bergen Bank improved its pre-tax profits before losses on loans and guarantees by 40 per cent to NKr1.1bn versus NKr759m in 1987.

Loan losses reached NKr800m versus NKr515m, but the bank is proposing to pay a dividend of 10 per cent or an option of dividend shares.

Pre-tax profits in 1988 after loan losses will reach NKr200m versus NKr518m.

Bergen is viewed, however, as being relatively better equipped with equity and reserves than its two main domestic competitors. During the period 1986 to 1988 Bergen out-performed DnC and Christiania probably because it did not depend on securities-related operations and because its large loan losses came later than the other two big banks.

Bergen's cost-cntting programme is aimed at a 10 per cant redaction, or soma NKr200m annually.

NORWAY

At the end of February Bergen announced a one-for-five rights issue to increase its share capital by NKr289.7m to NKr1.75bn, bnt the hank is more likaly to raise some NKr400m.

Last autumn it shelved plans for a Nkr302.7m rights issue bnt hy June this year it is likely to return to the market to fill a seven per cent vacancy in its foreign share quots which was boosted to 25 per cent from 20 per cent.

Approximately 18 per cent of the foreign quota is filled, of which about one-half is owned by Bergen's three partners in the Scandinavian Banking Partners unit comprised of Skandinaviska Enskilden of Sweden, Union Bank of Finland and Denmark's Privatbanken.

Christiania Bank is also proposing to pay a dividend of NKr12 per share for 1988 accounts. Group operating income reached NKr1.3hn in 1988 versus NKr382m, although losses increased to NKr1.090bn versus NKr956m.

The improvement in operating income is largely attributed to reorganisation of the bank which began at the end of 1986, an improvement in interest rate margins, the abolition of the reserves requirement for banks and a reduction in costs as a percentage of assets at 2.39 per cent in 1988 versus 2.51 per cent the previous year.

The bank bounced back in 1988 with profits of NKr210m compared with losses in 1987 of NKr574m.

The savings banks, however, have doubled to NKr3bn losses on loans and guarantees last year, although they broke a trend by improving thsir equity capital base to 5.8 per cent from 5 per cent to NKr12.8bn, for the first time in four years, helped by NKr2bn raised in subordinated loans and through the issue of primary capital certificates (PCCs), a new financial instrument which is listed on the Oslo Bourse. Two PCCs have been issued and one is in the final stages of preparation.

As a gronp the savings banks had a capital ratio of about eight per cent, based on Cooke Committee capital adequacy requirements.

This year they aim to cut staffing levels by five per cent, versus 2 per cent in 1988, and will close between 50 and 100 branches.

For 1988 aggregate operating profits will total NKr3bn, or 1.26 per cent of total assets, versus NKr2.7bn and 1.28 per cent respectively. They will hreak even in 1988 although heavy losses on loans are forecast for 1989, albeit on a smaller scale.

Higher operating profits are also forecast in 1989 to 1.5 per cent of total assets which will be helped by higher net interest income and lower operating expenditure.

Operating profits are estimated to reach NKr3.8bn, while loan losses will be in the range of between NKr2bn and NKr3bn. Net profits are expected to reach NKr0.8bn to NKr1.8bn, or 0.3 per cent to 0.7 per cent of total assets.

ABC Bank, known internationally as Union Bank of Norway, Norway's largest savings bank, said that it will experience losses on loans and guarantees of NKr950m in 1988 against NKr390m in 1987.

For ABC/Union this will translate into a deficit of NKr600m for the year despite a 17 per cent increase in operating profits.

The bank has been forced to cut staff by 13.5 per cent. A radical reorganisation into five divisions is also to be implemented to reduce costs by NKr20m this year.

It aims to increase interest income this year by NKr130m, while a goal of increasing other earnings by NKr80m has been set. Operational costs are to be slashed by 7.5 per cent of NKr100m and sales of loans and securities holdings are to be made.

However, Norway's savings banks are undergoing a fundamental change in their behaviour. They are beginning more to resemble commercial banks in that they are becoming more international and have been given permission to use PCCs to raise fresh capital. Hitherto they were self-owning, self-financing institutions.

Mr Trond Reinertsen, managing director of the Norwegian Commercial Banks' Association observed recently that "the former ideology of the savings banks has given way to commercial forces forcing the banks to hecome joint stock enterprises.

"In the longer term we are likely to see joint ownership of the savings banks," he predicts.

Mr Geir Bergvoll, senior general manager of ABC/Union thinks that the savings banks are challenging the commercial banks on their home ground.

However, he believes that their access to the international capital markets will be limited by their lack of an international credit rating. "Some banks are running Euro-commercial paper programmes but international funding takes the form of short-term Euro-deposits," according to Mr Bergvoll.

ABC/Union is the first savings bank to achieve the status as a foreign-exchange bank. However, it awaits formal approval from the central bank so that it may potentially deal in any product as long as its position against the Norwegian krone remains neutral.

Mr Bergvoll explained: "In practice forex operations of the savings banks is limited to 35 banks. ABC/Union is alone in operating an interbank spot and forward currency trading desk quoting two-way prices versus an international market."

Total savings banks assets with foreign debtors was estimated at NKr9.1bn by mid-1988, or 3.2 per cent of their balance sheet, while liabilities to foreign creditors is put at 9.2 per cent.

The savings banks are undergoing a consolidation. Since the 1960s the number of savings banks has been sharply reduced through mergers to 150 from 600. Mrs Berit Klemetsen, managing director of the Norwegian Savings Banks' Association, predicts that by the year 2000 there will be a further reduction by about one-half, of which about five to six savings banks will represent about 90 per cent of aggregate assets. By comparison, currently about 10 account for about 60 per cent of aggregate assets, from 25 per cent in 1970.

The roots of Norway's banking difficulties lie in the economy

Unemployment at record levels

NORWAY'S banks have been hard-hit by record losses on loans and guarantees for two years running. This caused weak profitability and a decline in their capital adequacy.

This year is not likely to be an exception as the rate of bankruptcles continues to increase to record levels although the level of losses is forecast by authorities to subside.

Forretnings-Forum, a leading Norwegian debt collector, claims the number of *de facto* bankruptcies in 1988 is likely to have been 12,000 rather than the official 3,494 if "grey bankruptcies" are included – these are not listed in official computer statistics because when they go hust they have no assets worth pursuing.

To understand fully the root of the problems within the banking sector, difficulties within Norway's economy need to be understood. Norway's oil-dependent economy was ravaged by a sharp decline in world crude oil prices in 1986, followed by a devaluation of the krone.

This has forced a major economic adjnstment process which will continue for several years.

A wage freeze in 1987 inhibited consumer spending while a decline in the oil and gas sector – which provides the country with 12 per cent of its gross national product – levelled out to stagnate growth first in energy-related businesses.

Norway failed to counteract rapidly increasing credit demand making loans more expensive. "We also failed to control growth in wages to allow a stable growth environment," admits Mr Trond Reinertsen, managing director of Norway's Commercial Banks Association.

Loan losses are split between commarcial losses which account for 85 per cent of the total and losses from private individuals and households which account for the balance. It has been estimated by the Norwegian Savings Banks' Association that betweeo 1982 and 1987 bank lending to the public sector rose annually by an average of 20 per cent, a level which could have hardly been sustained no matter what the conditions.

"There is no denying the responsibility that must be shouldered hy many savings banks and commercial banks for inadequate assessment of customers' credit-worthiness and inadequate monitoring of loss-making projects, although the losses must be viewed against e background of changing economic policy," admits Mrs Berit Klemetsen, managing director of the Norwegian Savings Banks' Association. However, Mrs Klemetsan warns that a further reason for heavy booked losses in 1987 and 1988 was the introduction in 1987 of new rules for write-offs of losses which "appear more stringent than is usual in other countries.

"Defaulted loans shall normally be entered in the books as losses if security for the

Continued opposite

Foreign ownership rules on the Oslo bourse have been relaxed

Liberalisation helps to fuel interest

THE OSLO BOURSE this year was given a new lease of life, helped by an improvement in Norway's economy, somewhat higher world crude oil prices, and liberalisation by the *minority Labour Government* of foreign ownership rules.

The bourse has been struggling for more than a year to recover to pre-crash levels before the world stock market crash in October 1987.

It continues to push towards its all-time high index level of 442 points and has sustained a daily trading volume of around NKr250m (£21.5m).

Last December the government also helped fuel interest in Oslo by *suspending, for at least this year, a one per cent turnover tax which was introduced at the start of 1988.* Although foreign investors were not directly influenced by the tax, the government's gesture came as welcome positive psychological news.

Investors have also been allowed to increase the amounts they put into tax-favoured *savings* funds.

Sweden's move in January to allow unrestricted investment in foreign equities also helped to charge the power driving Oslo.

For much of 1988 Norwegian equities were focused on Norsk Hydro, Hafslund Nycomed and the shipping sector.

However, since the autumn of last year, international interest in the market has increased and a number of major companies, including Orkla Borregard, have moved

The bond market could be reopened to foreigners

to take advantage of the government's recent liberalisation of the rules for foreign ownership.

Such interest is reflected in the result of a survey recently conducted by Chance & Company, a London-based investor relations specialist.

Of opinions among UK institutional investors on Scandinavian equities, a breakdown of the value of institutional portfolios between the four countries showed Norway ranking second with the relatively high figure of 29.5 per cent, behind Sweden at 53.6 per cent, and ahead of Denmark at 8.6 per cent and Finland at 8.3 per cent.

With regard to expectations *for 1989, sentiment* on the Norwegian market was particularly bullish with in excess of 40 per cent of the sample indicating particular optimism compared with 20 per cent for Sweden, 17 per cent for Denmark and 12 per cent for Finland.

Concern, however, was recorded with regard to the Norwegian economy's dependence on a relatively high level for world crude oil prices being sustained with some 67 per cent of the fund managers registering this as an important factor.

Furthermore, a lack of stockmarket regulation was cited by 43 per cent as a serious worry.

At the end of January, 130 companies and 940 bonds were listed on the Oslo bourse. Total market capitalisation of listed companies reached NKr126 billion, an increase of about 18 per cent since the end of last year.

Par value of listed bonds totalled NKr226 billion by February.

In February Mr Hermod Skaanland, the governor of the central bank, signalled that Norway's bond market could this year be reopened to foreigners after five-years of closure.

Norway closed its bond market in 1984 when an attempt at deregulation by the authorities led to a sharp upsurge in new bond issues and a jump in domestic interest rates to around 15 per cent.

A government-appointed committee, headed by former finance minister Mr Per Kleppe, recommended thet Norway scrap currency regulations before the European Community's planned internal market comes into being by 1992.

Norway has begun cautious regulation to bring it more into line with the rest of Europe. These regulations include the ban on foreigners trading bonds.

Oslo bonds have traded quietly of late despite the weakness of the economy and the gradual reduction in marker rates by the central bank.

It foreign investors are to be allowed direct access, they could find long-term yields attractive given the way recession has reduced Norwegian inflation to close to four per cent at the latest count.

The exchange has 31 members, including brokerage *departments of the banks and* private brokerage firms.

In 1987 turnover of listed equities reached NKr60bn compared with NKr30bn in 1986 and 1988.

The government owns about 8 per cent of share capital issued

According to Mr Erik Jarve, president of the exchange, capitalisation of the Norwegian *market is low. The average* price/earnings ratio is 6-6.5 per cent.

Institutional ownership is about 17 per cent compared with privete *domestic owner*ship and foreign ownership is about 23 per cent.

The government owns about 8 per cent of share capital issued, mostly in Norsk Hydro, Norway's largest publicly quoted company.

Last May Oslo introduced computer-assisted tráding, replacing the auction room and manual quotation. The floor, however, is still maintained and all trades require verbal confirmation before they are put into the system.

In 1986 the Norwegian Securities Registry (Verdipapirsentralen – VPS) was introduced electronically to track share and bond ownership.

Changes in trading procedures, the size and liquidity of the market, improved regulations, and the requirement for an efficient capital market, have allowed new instruments in addition to shares and bonds to be introduced.

To this end, the Norwegian savings banks have launched Primary Capital Certificates (PCCs), a hybrid share/bond, although more likened to a share and listed on the bourse.

Three medium-sized savings have launched PCCs in a bid to raise fresh capital to meet more stringent capital adequacy requirements which are to be introduced by 1992.

For PCCs to be listed on the exchange, the issuer must have been operating for a minimum of two years – the minimum PCC size must be NKr10m with 100,000 as the minimum number of certificates.

Karen Fossli

Olli Virtanen reports on Finland's banks

A changing environment

BY ANY measure 1988 was a boom year for the Finnish economy, and for the money markets in particular. In fact, the pace of growth has been too fast for the good of the country. The government and the Bank of Finland are now busy trying to devise fiscal and monetary measures to curb excess liquidity and put brakes on the rapidly growing current account deficit.

Total Finnish exports, which make up one third of the country's GDP, grew by 4 per cent last year despite perennial

FINLAND

trade problems with the Soviet Union. Both forest and metal industries enjoyed brisk demand, notably in western Europe.

Yet the biggest contributor to the 4.6 per cent growth of GDP was domestic demand. In words of Mr Rolf Kullberg, *Governor of* the Bank of Finland, Finns were indulging in an "orgy of consumption". Increased spending boosted imports by 10 per cent last year, reducing the trade surplus to almost zero. Liquidity is largely due to the generous pay increases and tax reductions during the past two years and, in particular, to the banks' liberal lending policies.

Banks and larger companies are able to borrow money freely on the international markets where the comparable interest rate is some 3 percentage points lower than in Finland. Capital inflow raised the central bank's currency reserves to FM33bn (£4.4bn) at the end of February.

Despite the hefty currency reserves and the gradual appreciation of the Markka, domestic interest rates have not declined – on the contrary, the 3-month Helibor (Helsinki Interbank Offered Rate) shot up by 2.5 percentage points last year to 11.74 per cent, while the 5-year rates rose by 1.5 percentage points to 11.8 per cent.

The banks blame the central bank for the high interest rates. The Bank of Finland hiked the cash reserve deposit requirement from 4.9 to 7.8 per cent during last year in order to cut down lending. The cash reserve deposits have grown from FM5.3bn in January 1988 to FM21.3bn in February 1989. Furthermore, the Bank of Finland has actively intervened with money market instruments.

In February the central bank raised the self-imposed cash reserve deposit ceiling of 8 per cent to 12 per cent. At the same time it announced a target to reduce the growth of lending, which topped 30 per cent last year, to half. The central bank negotiates with banks for setting individual ceilings for each banking group.

One sceptical Finnish cartoonist capped the situation *recently by referring to a* bank's TV commercial which promises "a loan in 15 minutes"; from now on, he suggested, the decision will be made in 30 minutes.

The Bank of Finland does face a hard time trying to cut consumption. It was armtwisted by the government and the labour market organisations to lower the base rate at the end of this year from 8.0 per cent to 7.5 per cent as a contribution to the incomes settlement. The measure was, of course, totally opposite to its monetary principles.

The central bank has, in recent years, been widely acclaimed for gradually liberalising the money markets. Now it may be short of weapons to regulate the markets. On the other hand banks are not expected publicly to oppose the plans to cut lending. Some analysts still estimate that it may take a while before the current account deficit, which rose from FM8.5bn in 1987 to FM12.6bn last year and will probably sink to FM16bn this year, *starts climbing back.*

Continued on next page

Unemployment at record levels

Continued from page 4

loan is not considered fully satisfactory and the borrower has lost [his] equity capital or is operating at a loss. The impact on the banks' accounts is augmented by the requirement that banks stop entering interest income in their books even if the loss has not yet been realised," Mrs Klemetsen explained.

"The stringency of these regulations reinforces the impression of crisis within the Norwegian banking system," she believes.

High loan lossee demonstrate the widespread problems within Norway's economy which, towards the end of last year, and so far this year, has shown signs of improvement.

"How long we will suffer these abnormally high loan losses depends on stabilisation of private consumption," believes Mr Reinertsen.

The world stock market crash in October 1987, however, compounded problems within the banking sector.

Unemployment has soared to record levels fuelling the high level of bankruptcies which translate into losses in the financial system. According to *the Central Bureau of Statistics* Norway faces a 4.5 to 5 per cent rate of unemployment as it moves towards the 1990s. This may sound insignificant by comparison to other OECD countries but Norway has been able to sustain a 2 per cent level of unemployment in recent years which has now doubled.

At the beginning of March at its party conference, the minority Labour Government, facing elections and embarrassed by the high level of unemployment, implemented an emergency package of measures designed to reduce unemployment by a third.

Approximately NKr5.4 billion (£464m) was allocated to reducing unemployment, to between 30,000 and 35,000 from its current level of 86,000.

According to Mr Hermod Skaanland, the governor of the central bank, the country has seen an improvement in traditional exports – light metals, wood and pulp – which increased to 6 per cent in 1988 from 0.3 per cent in 1987, helping overall improvement in the economy. Imports also declined last year to 2.2 per cent from 6.7 per cent the previous year.

Mr Skaanland has pledged support of Norway's banking system. "In any event, the central bank will take the necessary steps to maintain confidence in our financial system," he said recently.

This was demonstrated earlier this year when for the first time since the Great Depression of the 1930s, one commercial bank and two savings banks had to rely on outside support to sustain operations.

Sunnmoersbanken, a medium-sized commercial bank, had its obligations guaranteed by the Guarantee Fund of the Commercial Banks, which will also operate the bank for a transitory period of time, and had its liquidity supported by the central bank. Sunnmoersbanken was damaged by bad loans to the petroleum and fishing sectors.

Sparebanken Nord and Tromsoe Sparebank, two northern Norway savings banks, have also received a guarantee of up to NKr600m from the Guarantee Fund of the Savings Banks, and the central bank is to make a deposit with a merged bank, comprised of the two, at a reduced interest rate. The banks lost their equity capital

Although Norway's "safety net" for the banks was demonstrated to be in operating form, scepticism and consternation has been expressed internationally about a shift in policy of central bank support.

Although never demonstrated, Mr Knut Getz-Wold, Mr Skaanland's predecessor, pledged support of the banks' solidity while Mr Skaanland's support pledge extends to the banks' liquidity.

But a pressing issue is the banks' capability to meet by 1992 the new stringent capital requirements set by the Bank of International Settlements' (BIS) Cooke Committee based on risk weighting of the banks' *assets and off-balance sheet* exposures.

By Mr Skaanland's own admission, "it may be easier for the savings banks to meet these requirements but I feel fairly confident that, in general, the banks will be able to fulfil capital ratio requirements and maintain their solidity." Standard and Poor's, the US-based international rating agency, admits that Norway's financial institutions need to improve their core capital to comply with BIS guidelines.

Karen Fossli

Finland's KOP and Sweden's Gota group

A formula for strength

THE CLOSE co-operation between Kansallis-Osake-Pankki (KOP), Finland's leading commercial bank, and Sweden's Gota banking group, may well provide a formula for other Nordic banks when they prepare for the deregulated finance and capital markets in 1992.

Realising that the Nordic banking scene will not remain untouched in an increasingly liberal Europe, KOP and Gota Group forged links last year in a deal which, in effect, gave KOP 16 per cent ownership in the Swedish bank. KOP bought the shares from Proventus, the Swedish investment company, through two purpose-designed investment companies. Later KOP also acquired 60 per cent of Hagglof Ponspach Gota Securities, the London-bssed securities house of the Gota Group.

"We bought as much as we could under the existing Swedish regulations," says Mr Peter Fagernas, executive vice president, investment banking of KOP, who is tbe bank'a mastermind behind the linkage.

Regulations concerning foreign ownership, foreign exchange dealings and other financial and capital market operations will inevitably be further liberalised in the Nordic countries. This development will put increasing pressure on the Nordic banks, which will also face more competition in their bome territory. Although foreign banks have had a relatively tongh time both in Finland and in Sweden, liberalisation may attract a secood wave of foreign banks to those countries.

Mr Fagernas makes oo secret about the fact that the KOP-Gota linkage also had a defensive aspect. He regards large German banks, in particular, as potential rivals on the Nordic markets.

The philosophy hehind the KOP-Gota plan was to create a Nordic banking entity which, through cross-ownership and extensive co-operation, could cope with 1992. The combined total assets of the two groups amount to SKr270bn.

On the more practical level, the banks have aimed to cut costs and create synergy between corresponding activities including corporate, retail and investment banking as well as foreign operations.

The newly-named Kansallis Gota Securities in London is a case in point. The Nordic securities house now combines equity sales and research for both banks and, Mr Fagernas believes, provides the unit with the critical mass needed in the competitive City.

The banks have aimed to cut costs and create synergy between corresponding activities

The two banks' international networks have seen extensive pruning. Each bank now also represents the other in capitals where only one of them used to have a presence. And in centres such as Hong Kong, where each had an office, the operations will be moved under the same roof.

In corporata hanking KOP and Gota aim to increase cross-border activities. After all, as Mr Fagernas puts it, Sweden amounts to a home market for KOP, while Gota sees Finland the same way. The co-operation also enables KOP to tap into Gota's domestic network and perhaps penetrate retail banking, too.

KOP opened a subsidiary in Stockholm wben the Swedish government allowed foreign banks to establish operations in that country. But the subsidiary remained deeply in the red until it was closed in connection with the Gota deal. Mr Fagernas, wbo was also managing director of the snbsidiary, acknowledges that building up an operation alone in Sweden is tremendously taxing. But with Gota tha Finnish bank will be able to reap many of the same benefits with much less effort.

During the first year of close co-operation the two banks have conceotrated on practical rationalisation. But it is safe to assume that there will also be more strategic decisions made in digging the trenches for 1992.

Olli Virtanen

A changing environment

Continued from page 5

Meanwhile Finnish banks are busy trying to adapt to the changing environment. They face pressures both on the cost and the revenue side.

On one hand all banks are approaching the end of comfortably wide interest rate margins. An increasing share of their funding comes from the money markets, not from the traditional low-interest deposits. All deposits increased by a record 28 per cent last year but the growth came largely from the higher interest yielding 24-month deposits, which grew by 66 per cent.

Exclnding the exceptional rise in the term deposit, which was largely due to the oew law exempting those deposits from tax for another three years, money market funding increases much more rapidly than funding from deposits. One simple reason for this is that Finns do not really want to save any more. Last year they consumed practically all their earnings and the savings ratio was 0.5 per cent.

As the narrowing interest rate margin reduces revenues, banks have turned to cost cutting. The traditionally large network of branch offices is by all accounts a hurden but, at the same time, it is difficult to prune. Opposition from bank employees and the public has stopped aome plans to shut branches in sparsely populated areas. The banks' profits are now mostly generated in investment banking and corporate banking activities.

The banks have also turned to automation and a "natural" reduction in labour force. Automated cash points, many of which accept every bank groups' card, are a standard feature at most busy street corners. The next generation of antomated banks, introduced receotly by Kansallis-Osake-Pankki (KOP), will exchange currencies, make other transactions and give you information about securities. Customers can even use a safe deposit box (with sensors registering your weight, fingerprints and signature before letting you in) without a clerk.

Union Bank of Finland (UBF) took another tack in March by deciding to start selling insurance policies at the cash till. According to the co-operation agreement UBF hranches will sell life insurances and personal insurances of Sampo, Yrittajien Fennia and Elake-Varma, the three Finnish insurance companies. The Finnish Bank Inspectorate approves the plan providing that a bank will sell policies of at least two competing insurance companies.

Different hanking groups now develop their own distinct strategies – only a few years ago they intended to walk the same line. Earlier this decade all banks were poised to internationalise, all of them aimed to attract more corporate customers and all of them jumped on the securitisation handwagon. Now an invention by one bank is not automatically copied hy others. Althoogh KOP and UBF still often spearhead a development, other banking groups have also found their own niches.

Okobank, the co-operative hanking group, is arguably the leader in developing innovative banking card systems. Meanwhile it became the first Finnish bank to open a finance company in London, largely concentrating on servicing British costomers in their financing needs.

Skopbank, the savings bank group, has been most active on the Finnish capital markets. Its inveatment policy is more risk-orientated but so far has paid ample dividends. Skopbank actively invests in domestic and foreign secorities as well as domestic real estate. The banking group is now determined strongly to penetrate the international capital and money markets.

Postipankki, the post office bank, became a commercial bank at the beginning of 1988 and it is currently paving the way for a possible listing on the Helsinki Stock Exchange. Postipankki suffered from a securities market scandal last summer by failing to apply the HSE rules, but it has quickly consolidated its position.

Last year hrought record profits to all banks but 1989 could be more difficult. They will not be ahle to rely on cheap funding and the current demand for consumer loans will also subside. And then there will be increasing pressure from the foreign banks offering services to Finnish companies, hoth from their offices in Helsinki and abroad.

Robert Taylor on Iceland's economy and its banks

Cautious moves into the open

THE ICELANDIC economy continues to be dominated to an inevitable but unhealtby degree by the fishing industry whicb is snffering from a slump in world fish prices.

As a result – fish make up 75 per cent of the country's exports – it remains extremely sensitive to fluctuations. This year's current account deficit looks likely to be 5 per cent of its gross domestic product, compared with 4.3 per cent in 1988. Iceland's foreign debt totalled a huge 40.8 per cent of its GDP last year and it is expected to deteriorate still further to 43.0 per cent in 1989.

The rise in the cost of living during 1988 was 25 per cent, though this figure looks set to drop to an annual rata of around 12 per cent this year. Over the past 15 months the Icelaodic governmeot has found it necessary to devalue the country's currency on five separate occasions.

In its budget for 1989 published last October, the governmeot said thet its primary objective was to eliminate the budget deficit over the next 12 months. The deficit was estimated to be $120-140m last year, the equivalent of 2.5 per cent of the country's gross domestic product and nearly 10 per cent of the government'a entire expenditure.

This involves a reduction of 3.5 per cent in real terms in private consumption and it is estimated that Icelanders will suffer a 5 to 6 per cent cut in their real household incomes this year, compared with a much smaller decline in 1988.

In the past Iceland has tried to deal with its deficit through having it funded by the Central Bank and by foreign borrowing. But in its latest and critical report on the Icelandic economy, the Paris-based Organisation for Economic Co-operation and Davelopment (OECD) complained that "the rather loose control of borrowing ahroad, in conjunction with strict supervision of capital outflows, had created a growing imbalance between the domestic and external sectors". Because of capital controls, the goverument was able to keep the krona stable and price inflation relatively low in the face of excess demand and a growing current account deficit.

The OECD report went on to argue that an expansion of the foreign borrowing operations of Iceland's commercial banks, leasing companies and investment credit funds had provided a base for what it described as "excessive domestic credit expansion, which undermined monetary tightness and fuelled excess demand and inflation in the domestic sectors of the economy".

In its view the remedy ought to be a freeing of capital flows in and out of the country. But OECD admitted: "Such a policy may be more difficult to operate in a small, open economy with a relatively narrow export base and subject to wide terms of trade shocks, than in a large and diversified industrial country with sophisticated financial markets".

In fact, Iceland only began to liberalise its hanking system during tha past four years. Legislation was passed in 1986 enabling the commercial banks the freedom to decide their own interest rates, hnt at the same time allowed the Central Bank better control over the expansion of tha monetary base.

ICELAND

There is a real possibility that foreign banks will be allowed to operate in Iceland

As the governor of the Central Bank Dr Johannes Nordal explained to the country's first international bankers' conference last October, this strategy stemmed from a realisation by the government that it needed to move to a more open and market-oriented financial system. The result, in his view, has been to transform the Icelandic financial market "ont of recognition" with "an explosion-like increase" in the issue of new bonds and other financial instruments through trading on the stock exchange which opened its doors in 1986.

Ever since the 1930s Iceland has been reluctant to encourage foreign participation in the country's banking system. Under the new banking law, foreign banks are only allowed to have representative offices and not to establish branches while foreigners cannot own shares in Icelandic banks. But further changes seem to be on the way.

In February this year Iceland's prime minister Mr Steingrimur Hermansson announced that his government wanted to achieve a cut in real interest rates and a better balance in the country's financial markets. The government also said that its aim was to reduce the number of commercial banks in Iceland (there are at present seven as well as 38 savings banks) and adapt the domestic financial market to current international developments, giving access to Icelandic companies to a similar financial market as their overseas competitors.

These look like being important elements in a wide-ranging package of measures that the government is promising to introduce shortly. These would liberalise still further the Icelandic banking system by making it more competitive.

As the Central Bank explained last month: "The objective is to reduce the debt service burden of both households and firms by increasing competition and efficiency in the domestic banking system and strengthening the ties between the domestic and overseas financial markets."

Mr Hermansson announced early last month that the authority of domestic companies to borrow abroad with a government guarantee or a guarantee from a state bank or investment credit fund was to be curtailed and their authority to borrow overseas in their own right was to be liberalised.

In line with the other Nordic countries, Iceland is also reviewing its existing rules that cover capital movements and cross-border financial services. The government made it clear last month that the country's domestic banking system would have to adjust to changing circumstances in the wake of the EC's plan to integrate financial markets in the Community by 1992.

This is a major step for Iceland to take, opening up the country to overseas financial competition. There is a real possibility of allowing foreign banks to operate in Iceland, at the moment the government is actively looking into the idea.

Recently the government announced that it intended to amend the 1986 Central Bank Act so that the Bank's authority can be extended. This will ensure that it can limit the freedom of the banks to determine their own real interest rates. Exieting authority means it can ensure that real interest rates are not higher than in neighbouring countries and that the interest rate differential on deposits and loans does not become excessive.

The reforms of recent years have made interest rates much more sensitive to changing external circumstances and, as a result, the level of real interest rates has gone up.

In July Iceland is to have a new value added tax system, bringing it into line with the rest of the Nordic area with a single tax band of 22 per cent levied on a broad range of goods and services, though excluding exports, international freight and the sale of newspapers. Action has also been taken to reform the corporate tax structure in Iceland. The 1988 tax reforms introduced a single income tax rate of 35.2 per cent, composed of a state tax of 28.5 per cent and a municipal rate of 6.7 per cent.

The OECD report suggested that further measures ought to be considered by Iceland to complete its tax reform, including a "phased extension of privatisation and increased opportunities for direct inward capital investment, with a view to improving the efficiency of capital allocation".

Bnt with its current economic troubles Iceland can be expected to move with caution in the further liberalisation of its financial affairs. In the view of the Central Bank governor this strategy will involve the "steady dismantling" of financial restrictions rather than any "sudden abolition of all controls". By the standards of the other Nordic countries, Iceland still has a long way to go towards a more open economy, though nobody believes that it will beat a retreat out of panic or ill-judgement.

SECTION IV

FINANCIAL TIMES SURVEY

Kingston upon Thames, for long a town of strategic, commercial and adminstrative importance, is looking forward to a buoyant future — but boundary issues in south-west London raise key questions, as Richard Evans explains here.

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Picture by Tony Andrews

Kingston Market: the town retains much of its old character, although major new developments are taking shape.

Transformation under way

THE Royal Borough of Kingston upon Thames is going through something of a renaissance, although you would not necessarily appreciate it from a quick visit. Parts of the town centre still resemble an extended building site as the inner relief road is completed and impressive new store developments areconstructed as part of the strategy to ensure Kingston continues to be one of the major commercial and retail centres in the south east.

To residents and visiting shoppers alike, it seems at least a decade since the reconstruction started; in fact, it is less than three years, and the end is now in sight. Only then can e final judgment be made on whether the inconvenience, the delays and the dirt have been worthwhile — but the preliminary verdict is extremely encouraging. There is a tangible feeling of optimism and excitement among the borough's civic and commercial leaders.

What has never been in doubt is the need for drastic changes, not for the first time in the town's colourful history. From Saxon times, when seven kings are believed to have been crowned there, through the Middle Ages and the granting of the first royal charter by King John in 1200, to the present day, Kingston has been a town of strategic, commercial and administrative importance.

But it also known lean times — for example, when the malting trade collapsed in the last century, and when the local burghers foolishly backed the coaching trade against the railway, which went to Surbiton instead.

More recently, in the 1960s, the town was becoming a victim of its own success. Its narrow streets and lack of parking spaces could not cope with the influx of shoppers, and on one infamous Saturday in 1964 it locked solid with traffic for over four hours. Nothing moved. The phenomenon was reported worldwide, and it eventually triggered the ambitious schemes that are about to come to fruition.

Three major developments, a new John Lewis store, a big expansion by Bentalls, the town's 120-year-old department store, and the Charter Quay scheme which will open up more of the borough's long neglected river frontage, are at the heart of plans to bring Kingston back into contention with, and to overtake, nearby commercial competitors such as Brent Cross, Croydon and Guildford.

But before any of the schemes could be viable, the traffic chaos had to be solved. As an indication of the scale of the problem, Kingston Bridge, historically the first fording and bridging point of the Thames above London, carries e higher volume of traffic daily than any other bridge in greater London.

Initially, a one-way traffic system was devised with a planned lifespan of five years prior to the building of the relief road, but because of political difficulties over priority for the relief road, it has operated for over 20 years.

It was only with the abolition of the Greeter London Council in April, 1986 that the building of the relief road conld be lanncbed, as the Labour—led GLC gave greater priority to housebuilding than to solving Kingston's traffic problems.

"The relief road was the key to the unlocking of Kingston in development terms," says Mr Dennis Bicknell, the borough's director of engineering and main architect of the changes.

With the first road contract signed, John Lewis decided to go ahead with its planned store, and Bentalls saw it could realise the full potential of its site in the heart of Kingston.

The John Lewis development on the old Horsefair site near the bridge, scheduled for opening in the autumn of next year, is by the innovative architects Ahrends Burton and Koralek and will be as remarkable and controversial an addition to the Thames riverside as Quinlan Terry's classical office development in nearby Richmond. A key section of the relief road will run diagonally under the store.

To meet this challenge, Bentalls, whose name has been almost synonymous with Kingston in shopping terms, is rehuilding its flagship store and, with Norwich Union, is developing the £150m Bentall Centre nearby.

It will inclnde aronnd 100 retail shops with a variety of restaurants and leisure facilities, all arranged on four levels around a central atrium. Features will include a glazed barrel—vault roof, glass "wall—climber" lifts, trees and water features.

The revamped Bentalls store is due to be completed in mid-1990 and the entire development by the end of 1992. The Bentalls and John Lewie schemes together will give Kingston more retail floor area than the whole of Brent Cross.

The relief road plan, which will be completed later this year, means that all main road traffic will be removed from the central area which will be pedestrianised, with throughways between the riverside and main shopping streets. Shoppers will be directed by unique electronic boards at key entry points to a number of car perks placed stretegically around the perimeter. Around 2,400 spaces will be built in multi—storey and underground car parks by 1997.

The £4m Charter Quay development, which will also open up the river frontage, is about to get under way and will include houses, shops, offices, restanrants and e theatre to encourage evening visitors.

Although the Kingston town centre developments are dominant because of their sheer scale, they bave not meant the neglect of other parts of the borough. The preseot boundaries were formed in the local government re-organisation of 1965 when the boroughs of Kingston, Surbiton and New Malden were merged to form a Greater London borough.

Because Kingston has been dominant commercially, relations have not always been easy between the three chambers of commerce, which have retained their separate identities, but they are more relaxed now than for some time.

This is largely because all areas, from New Malden with its village atmosphere aod wide range of shops, to Surbiton with its excellent rail communications and elegant avenues, aodChessington with its flourishing zoo and World of Adventure, have all shared in the current prosperity.

There have been substantial new sbopping developments in New Malden and Tolwortb, and after several years of cutbacks in public services generally, transport has been improved recently, making outlying areas of the borough more accessible.

The severe cutbacks came in the late 1970s and early 1980s when a group of intellectually tough young Thatcherite councillors, led by Michael Knowles ond Angela Rumbold, both now Conservative MPs, ousted the traditionalist Tory old guard.

They, in turn, were ousted by the Liberals, who led e hung council with Labour support briefly and abolished the long—cherished 11-plus entry examinatioo to the town's grammar schools before losing some seats in by—elections. Moderate Tories now bold power by a wafer—thin margin.

Although retailing tends to steal the headlines, Kingston has traditionally had a widely based local economy, attracted originally by the river but more recently by tbe town's proximity to London, to Heathrow and Gatwick airports, and to the motorway network. A high proportion of residents are commuters, but there is a remarkably wide range of local employment available.

The best-known of the borougb's employers is British Aerospace, which last year celebrated the 75th anniversary of its parent company, Hawker Siddeley. More than 4,000 people are employed in the imposing factory on Richmond Road.

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The Royal Borough of

KINGSTON

upon Thames

The ancient origins of Royal Kingston

KINGSTON upon Thames is one of the four Royal Boroughs in England end Wales. *Windsor and* Meldenhead, Kensington and Chelsea and Caernarfon are the others.

Its place in English history was established in the 10th century as the coronation place of Anglo-Saxon kings. The number of kinge usuelly accepted as being crowned at Kingston is seven, elthough not ell can be positively authenticated.

It is usually assumed that Kingston derives its name from "King's Stone," referring *to the Saxon coronation stone* outside the Guildhall, but the earliest written reference, well before the coronations, is to "Cyningestun" meaning e royel palace, enclosure or estate.

Historiens heve also identilied e more specielist significance for the term "kingston" as a royel estate which was the centre of judicial and financial administretion over e wide area. The stone is now e monument near the historic *Market Plece.*

Still dominating the Market Plece is the old Town Hall which was enlerged and rebuilt during the reign of Queen Anne and rebuilt again in 1830, but e statue by Francis Bird of Queen Anne still stands over the entrance to what is now the Market House.

The town has several Royal Charters and had acquired full incorporation as e Borough by 1481. It has two parliamentary constituencies: Kingston upon Thames and Surbiton.

Arthur Dawson

Kingston aims to enhance its position as a major regional shopping centre, says **Arthur Dawson**

Relief on the way for 250,000 weekly shoppers

TRAVELLING into Kingston, particularly on Monday market day, is not a journey to be lightly undertaken by any motorist. Traffic jams can be horrendous, road-repairs ubiquitous – while queues for parking spaces in the town centre can seem endless.

But within two to three months, shopping in the Royal Borough is set to become a less daunting task as a relief road will free part of the town centre from traffic.

Part of one of the principal thoroughfares, Clarence Street, where many of the major retailing outlets are centred and where shopping throngs are confined to narrow pavements, will be barred to the present four-lane one-way flow.

To begin with, only part of the street will be pedestrianised but, as various developments are completed, it will become a place to sit down here and there and actually take a rest from the bustle.

Only then can the town's 135,000 inhabitants – and the quarter of a million shoppers who come into the town weekly – begin to understand that the upheaval they have experienced during the past few years was necessary if Kingston is to retain its place as a major regional shopping centre in the south-east.

Three major developments are still under way. A new John Lewis department store is being built on the banks of the Thames, on what is known as the Horsefair site, close to the historic bridge over the river.

The store will straddle and incorporate the new relief road running diagonally across the site. An idea of its size can be gauged from the fact that St Paul's Cathedral could fit comfortably within its perimeter.

Its architects are said to have been influenced by the first generation of department stores, such as the 19th century Galeries Lafayette in Paris. It will be covered by an enormous glass roof giving daylight to all four principal floors. Each floor will be 'stepped' backwards and terraced so that customers can glimpse the sky as well as the terrace of floors. The upper floors will overlook the river.

The site will include offices and other shops and allow the riverside to be opened up for the development of pubs and restaurants. It is hoped that the store will be open by September next year – John Lewis will also incorporate a basement car park with around 600 spaces.

An even larger development is taking place across the road at Bentalls, at present Kingston's main department store, which is synonymous with the town for it has been there for 120 years. The new development adjoins the present store.

The scheme is in two phases to allow the existing store to carry on trading during the expansion. The first phase is for a new 200,000 sq ft department store, scheduled to open in July next year.

In addition, 140,000 sq ft of ancillary, storage, staff and office space will also be available. This, says Norwich Union, developers of the scheme in partnership with Bentalls plc, is the largest department store to be built in the UK since the 1930s.

Its four sales floors will be arranged around a spectacular central well containing 13 escalators, wall climber lifts and display features. A boon for shoppers will be the 1,200 parking spaces to become available at the same time.

The second phase, expected to be completed by autumn, will allow for 260,000 sq ft of retail shops, restaurants and a food centre. Norwich Union says phase II is already attracting strong interest from retailers. The 600,000 sq ft development of the two phases will be known as the Bentall Centre and is expected to cost about £150m.

The third and smaller development is the £4m Charter Quay site which will replace unsightly buildings by a new shopping mall, opening on to a riverside 'festival' area; an arts centre; completion of a riverside walk; homes, including houseboat moorings and a multi-storey park for 340 cars. There will be some offices allowed. The arts centre is seen as particularly important to prevent the town centre from becoming a dead area in the evenings.

Kingston already has a thriving cinema centre and a few night clubs; the opening up of the riverside with pubs and restaurant should help to encourage visitors in the evenings.

Most of the leading retailers are already well-established in the town, particularly around the Eden Walk precinct where

Heavy traffic near the new Bentalls complex, left, and the John Lewis development, right; artist's impression, far right, of the Bentalls Centre's interior.

Boots, Marks and Spencer and British Home Stores are within a few yards of each other. This area was the town's first traffic-free precinct and was followed by Crown Arcade, which links the Apple Market to Eden Walk, and by the Griffin development – completed in 1987 – which gave new life to old buildings in the Market Place.

Fortunately, this ancient centre of the town has been well-preserved. The Market Hall, once the Town Hall, was build around 1840 and boasts a gilded statue of Queen Anne. Other royal effigies on the mock Tudor facade are Queen Elizabeth and the five kings associated with the Royal borough.

The area around the Market Place, which preserves its daily market stalls, has the best-preserved medieval street pattern in Greater London and it is in this area where many specialty shops thrive.

Many of the original, old buildings have gone but traces of their old architecture can be found, while quaint old Harrow Passage retains the atmosphere of some of those former days. It is all now part of Kingston's conservation area which includes Thames Street and part of the High Street.

While the upheaval has been going on, many of the outer shopping centres – such as New Malden, Surbiton, Hook and Chessington – have benefited, as more shoppers have been attracted to these areas. Indeed, the success of New Malden – which has its own thriving and expanding store, Tudor Williams, and has a new development, to include Waitrose, in progress on the site of the old adult education centre and fire station – has resulted in its own traffic problems in the local High Street. Recently, Kingston town council met there to discuss the problems.

Twelve months ago, Tolworth felt it was missing out in attracting local shoppers but with the help of Kingston council in setting up a mobile exhibition and asking shoppers just what they wanted the centre has been revitalised.

The move out has largely ended and the entry of a large food store by Marks and Spencers has given the centre a big boost.

As for the future, there are one or two clouds menacing the generally sunny outlook. They centre on the large out-of-town megastores that have already opened or are planned.

Gateway will shortly be opening a store on the Norbiton side of Kingston and the huge Tesco store just over the border in Merton has already drawn shoppers from a wide area of Kingston.

Even more worrying for Kingston is the Elmbridge Mall Shopping Centre, proposed for Green Belt land just over its borders with Elmbridge. The proposed mall would cover 53 acres; the developers, London and Edinburgh Trust, would provide a range of shops and stores, restaurants and leisure pursuits and claims it would be designed to attract the millions in south London.

Earlier, Kingston council successfully opposed a major shopping centre for west London at Wraysbury where the Runnymede Centre would have provided a million sq ft of shopping space.

Now that Mr Ridley, Secretary of State for the Environment, has carried ont his threat to 'penalise' developers, who fight against government Green Belt policy, by turning down a major shopping and leisure complex in Hertfordshire and awarding costs – said to run into six figures – against the developers, Kingston's retailers may feel even more optimistic about the future.

Transformation under way

Continued from page 1

Lever Brothers has a workforce of 3,000 at its Kingston headquarters, although its manufacturing sites are at Warrington and Port Sunlight in the north west.

A number of other nationally-known companies have their headquarters or major offices in the borough, including Rawlplug and Nikon at Kingston, Distillers Company at Surbiton, and Racal Defence Systems and Higgs and Hill, the construction and development company, at New Malden.

With increased prosperity has come a major problem for local employers, the shortage of skilled labour. Efforts are being made to attract people in from areas nearer London which have more unemployment, such as Wandsworth, Clapham and Lambeth – a kind of reverse commuting.

There are also proposals to build cheaper temporary housing as the biggest barrier to attracting employment is the very high cost of accommodation – "manufacturing staff, in particular, find it difficult to live in the borough, so a good transport infrastructure is essential," says Mr Chris West, general manager of British Aerospace at Kingston and Dunsfold, and current chairman of the local Institute of Directors.

To develop local training programmes, Mr Robert McCloy, the borough council's chief executive, is keen to see a training and enterprise council

Robert McCloy, chief executive: optimistic that a right solution will be found.

located in Kingston, with organisations like the Chamber of Commerce and the IoD playing a big role.

But while the borough looks forward to a buoyant commercial future, there is a question mark over its very existence in its present independent form. The shape and composition of south west London could alter radically if the Local Government Boundaries Commission, now redefining boundaries for the early 1990s, concurs with either of two ambitious schemes sent to it by the contending local authorities of Kingston and Surrey County Council.

Originally, both councils advocated a policy of maintaining the status quo, but then Kingston regarding itself as vulnerable as it is the smallest of the 32 London boroughs, put forward an alternative for consideration by the Commission.

This would involve enlarging its territory dramatically by annexing parts of three neighbouring London boroughs, Richmond, Merton and Sutton, and two Surrey districts, on the grounds that Kingston forms their natural focus.

"We are not in the business of being a predator, but any decision must be based on the logic of who uses the town," says Mr McCloy.

Surrey felt forced to launch a counter bid and has proposed swallowing the whole of Kingston as the county's twelfth district. Kingston was part of Surrey until the re-organisation of Greater London boroughs in 1965, and by an historic quirk still contains Surrey's County Hall headquarters.

The signs are that the Boundaries Commission, which will be reporting in a few weeks time, will opt for minimum change, but, even so, Kingston still faces a real difficulty. It has a population of only 130,000 but a very large non–domestic rate income from its commercial and industrial ratepayers. It could therefore be hit disproportionately badly when non–domestic rates are replaced next year by the uniform business rate, which will be redistributed on a population basis.

The fewer than 110,000 community charge, or poll tax, payers could in theory have too great a burden to bear in the all–purpose authority which Kingston has been since the abolition of the GLC.

But Mr McCloy is optimistic, following talks with Ministers, that provision will be made through additional Government grant to ensure the borough's independence.

The town has a diverse mix of industries, but there has been a net loss of industrial land and office rentals are rising

The growing problem of recruiting the right staff

THE LARGE shopping developments in Kingston's town centre will provide many more jobs in the retail sector which, while welcome, will exacerbate the changes that have been going on in the labour market since 1984.

As with most of the rest of the country, Kingston suffered a decline in manufacturing jobs during restructuring processes in the 1970s and the first years of this decade. Now the sector has to compete in a market that is experiencing a general shortage of labour.

The active workforce has stabilised at around 68,000 and the sharp rises in unemployment, which had risen to 6 per cent by 1984, had dropped back to well under 4 per cent by last year and is still declining.

Although the town's manufacturing base is still very healthy compared with national trends and is boosted by strong defence and aerospace companies, the largest single employment sector is public services and education. As well as Kingston's council's offices based in the Guildhall, Surrey County Council has its headquarters nearby.

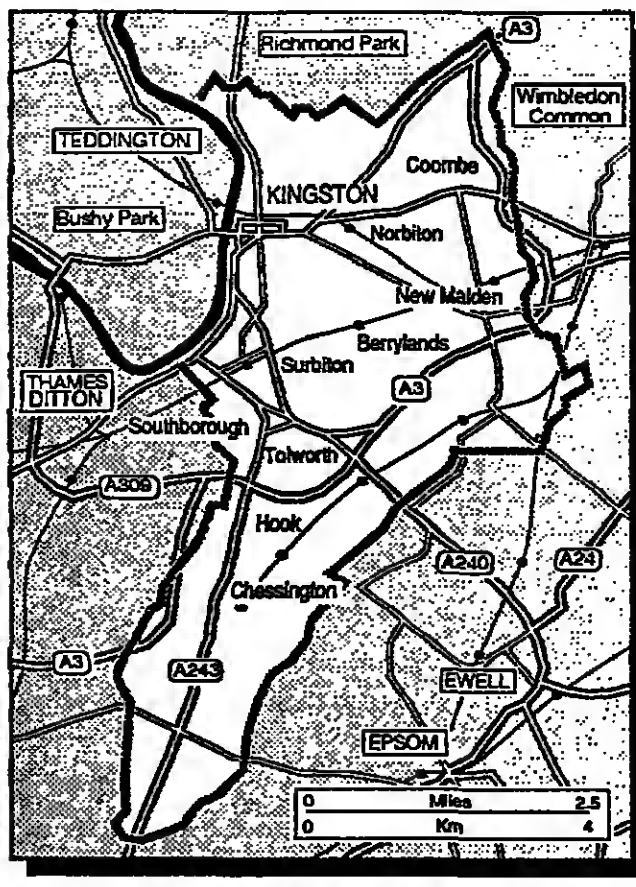
In addition, Kingston Polytechnic, recently given a glowing report by government inspectors, is thriving on several locations in the borough.

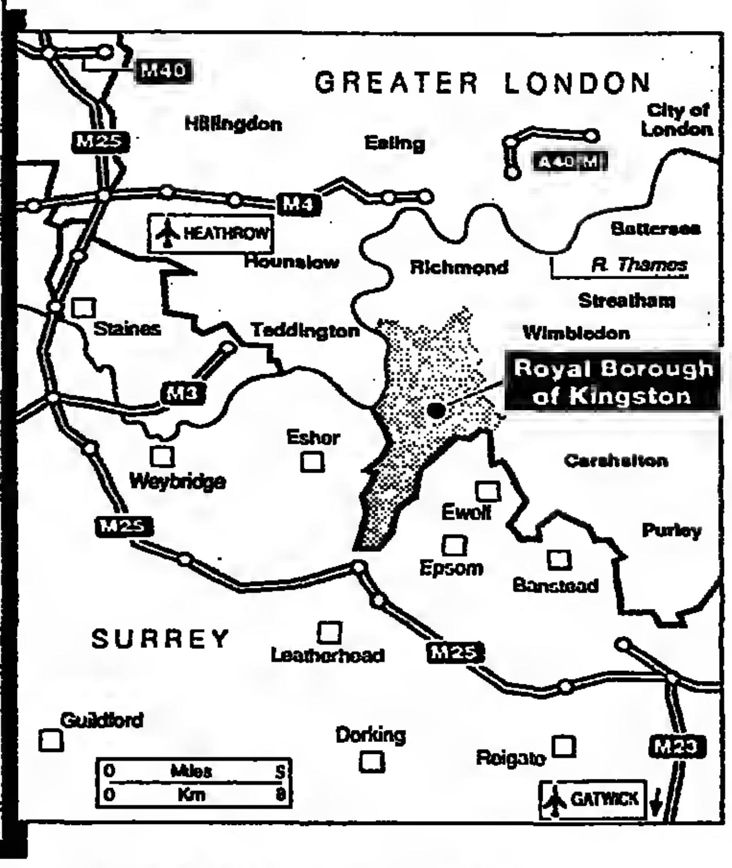
"Leading edge" companies such as British Aerospace, with its employment roll of nearly 4,000, and Racal in New Malden which employs about 1,500, escaped the sharp downturn in the economy up to 1984 and now have to fight harder for skilled workers, particularly for the limited pool of clerical and managerial/professional labour, but are not so seriously affected as industries which are in the less skilled labour market. The magnet of central London makes the fight tougher for these sectors.

Fortunately, the town has a diverse mix of industries. As well as engineering and construction companies such as Higgs and Hill; and electronics, including Plessey, they range from paint to wine bottling.

Fairclough Building's London and Southern Division recently opened new offices designed by themselves. The division has increased its payroll by nearly 30 per cent in a year. It now stands at 400 and has created nearly 1,000 jobs at specialist subcontractors inits operational area.

An aerial view of the centre of Kingston: developers are finding keen demand for space





It is hardly surprising that, according to employment surveys carried out in the borough, the number of firms experiencing recruitment problems has risen from 10 per cent in 1984 to more than 40 per cent in 1988, and to almost 50 per cent within the manufacturing sector itself.

When the John Lewis Partnership store and the Bentall Centre open, the issue of recruiting staff will be an even more acute problem. National changes in the age structure of the population will make it worse because the number of entrants to the labour market is diminishing. The decline in the 16-24 year old sector will continue until the middle of the next decade, reducing the number of young graduates available to employers as potential recruits and trainees.

Coupled with this is the fact that unemployment in this age sector is falling faster in West London than in London overall. An MSC report, however, points out an apparent contradiction in that several thousand people still register as unemployed at local benefit offices. What is lacking is an assessment of their skills, but this information is no longer provided by the Government.

Last year Kingston Council began moves to tackle recruitment problems and to find ways of attracting employees to businesses in Kingston and areas such as Chessington, Tolworth and New Malden. It set up an Employment Forum with Kingston's two MPs, the council's chief executive, local employers and housing and transport representatives. One result was an initiative to provide a "housing for job-movers" scheme which included short-term leased accommodation for workers relocating to the borough and research into better public transport.

The council is also negotiating with British Rail to encourage a system of "reverse commuting" to Kingston from stations nearer to central London by, say, bringing workers in from Wandsworth, where the unemployment rate is higher, and, at the same time, helping to fill those returning commuter trains.

A threat to the reviving manufacturing sector is the intense pressure on land for modern industrial development. A survey last year among the town's businesses showed that a significant amount of industrial companies (18 per cent) said they needed more accommodation but the low rate of vacancies is driving up rental levels of those that do become available.

Total requests that the council has received for industrial purposes are equivalent to almost 2m sq ft, but the borough has actually suffered a net loss of industrial land and floorspace.

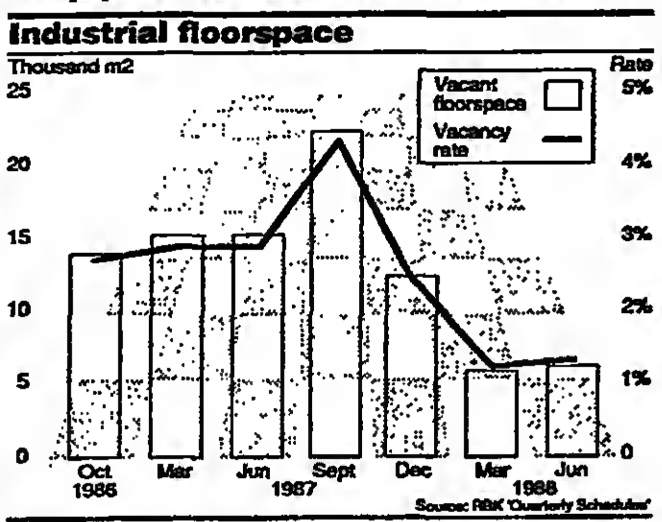
Recently, two major losses to sites for industrial use were sustained when appeal decisions were allowed for Courts' furnishing store with a floorspace of 40,000 sq ft, off Kingston Road, New Malden; and a 52,000 sq ft DIY superstore for B & Q was allowed at Burlington Road, New Malden.

In common with south-west London generally, there has been a decline in office development, after a period of considerable surplus.

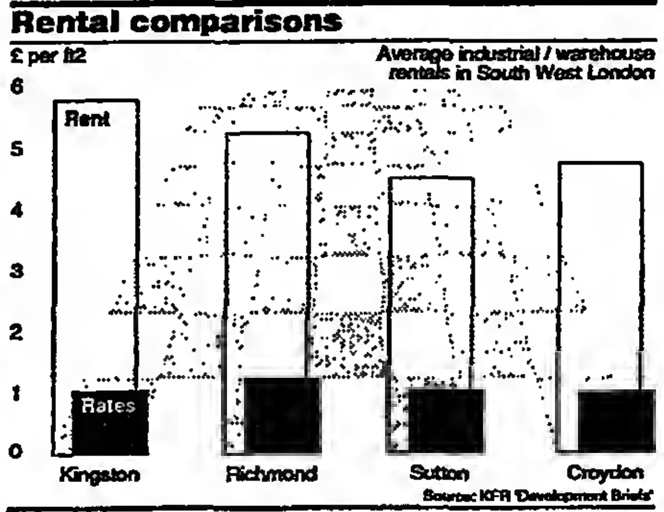
Nevertheless, office rentals in Kingston town centre experienced a sharp increase during the first months of 1987, largely due to the letting of approximately 100,00 sq ft in Kingsgate House to Willis Wrightson at a record £15 per sq ft.

Arthur Dawson

Industrial floorspace



Rental comparisons



Amidst big changes, the historic town is trying to reclaim something of its past, says **Colina MacDougall**

Complex challenge for riverside planners

KINGSTON is one of England's oldest towns, located along the Thames in what once was farming country. In the last century, as London grew and the railways spread, Victorian bricks and mortar covered the green fields and, in this century, trunk roads and traffic have blighted the Royal Borough.

But now Kingston is trying to reclaim something of its past. At the sams time it is trying to put the town on the map as an important shopping and employment centre for the 1990s.

Historically, the Thames crossing at Kingston Bridge generated a thriving market. It was the coronation place of the Saxon kings of Wessex, and the (alleged) coronstion stone is still preserved.

With the coming of the railway in the 1830s, other centres such as Surbiton, now part of the Royal Borough, and the location of some charming Regency houses, grew up round it

Though the ancient core of the town has disappeared over the centuries, much of the mediaeval layout is still there. The pattern of streets and alleys around the market is not much changed, and behind some of the modern shopfronts stand Elizabethan or earlier timbering and windows.

Although the visible architecture is a jumble of periods with the work of the 1960s standing out like a sore thumb, buildings like the delightful Griffin pub (now Laura Ashley) and the early 18th century Druid's Head, redeem the townscape.

Most important, the market is a genuine ona, operating every day – "Kingston has no greengrocers or fishmongers, except in the market," says Mrs Sylvia Blanc, secretary of the active Kingston Society, which has worked with the local anthority to achieve acceptable development. "The stalls have been in the same family – the Cochranes, the Sykes – for generations."

This gives the centrs of Kingston a life and tradition

Kingston, for many visitors, is Bentalls. The only word to describe plans for the new Bentalls Centre, is 'startling'

which the local anthority hopes to enhance by building more housing within the town.

"We don't just want shops," says Mr Mark Gilks, director of development. "People want to see lighted windows with curtains, when they're out at night."

Kingston is trying to put new life into its riverside. There is now the odd eating house or music joint – Thames Tandoori and Cinderella's Rockefellas – and more are planned as a huge new development at Charter Quay comes on stream.

Charter Quay is destined to include shops, restaurants, offices, housing and a theatre on what is roughly the Woolworth site, but the Kingston Society is currently unhappy with the scale involved – "We're still working on it with the local authority," says Mrs Blanc.

The new John Lewis riverside store development takes shape. Picture: Tony Andrews

Kingston is bisected by the approach road – Clarence Street – to the bridge. The market area, with its stalls, boutiques, pnhs and parish church, lies to the south. To the north, in recent years, the landscape has been dominated by Bentall's flagship department store and a derelict riverside car-park, the Horsefair site. In this key area, one of Britain's most spectaculsr shopping developments is fast rising from the mud.

After years of discussion and delay, John Lewis's have leased the Horsefair site and are building a huge new store to serve the increasingly affluent south-east. In length, this will exceed the combined frontages of their shop in London's Oxford Street and the sdjoining D.H. Evans.

Addressing this challenge, Bentalls are rapidly building their own new store on the north of their old site and using the rest to re-develop a giant shopping arcade.

The only word for the new Bentall Centre, as it will be called, is startling. Outwardly traditional as it will go up inside Bentall's old familiar Aston Webb facade, the four-floored arcade will include 100 shops and restaurants with terracing, escalators, air-conditioning and plenty of space for cafe tables.

"The total retail area of John Lewis's and the new Bentalls developments will be greater than north London's Brent Cross," says Mr Dennis Bicknell, Kingston's director of engineering and transportation.

The contrast with old Kingston could not be more extreme. Kingston Bridge will be dominated by the vast bulk of John Lewis's, with the Bentall's Centre and the new Bentall's behind.

"We really wanted more amenity space along the river," says Mrs Blanc, and, indeed, John Lewis's will loom uncomfortahly close to the water. Only a narrow walkway belonging to the local anthority is likely to remain.

Still, John Lewis's have helped to solve Kingston's most intractable problem. For years the town has been one huge web of traffic, stuck in the narrow streets or frozen on Kingston Bridge. The solution was to drive a diagonal highway across the Horsefair site and build the store on both sides and above it.

The Horsefair link now connects with upgraded local roads to form an kind of a mini-ring route, the Relief Road, which takes the traffic sway from the old centre.

The Relief Road will enable the local authority to extend pedestrianisation from the Eden Walk area and one side of the market where it has already been in place for years. When the new Horsefair link through John Lewis's is complete, it will carry two-way traffic to and from Kingston Bridge, so that Clarence Street can be included in the scheme.

There will be parking at salient points on the approaches to the town centre, and John Lewis's and Bentalls are both building new car parks. The total number of parking spaces available for shoppers is expected to be 7,000 on weekdays and another 1,000 on Saturdays.

Kingston plans a new electronic refinement – "we shall have signboards at major entry points with carpark information which will give the number of spaces available," says Mr Bicknell. "It's a unique compnter-controlled system, and the government will be stndying it very carefully."

Already, Kingston is examining its traffic flow with three TV cameras posted at strategic points and four more to come. This is the 'Scoot' (split cycle offset optimisation technique) system, which is said to be able to cut traffic delays by 10-12 per cent – "It's invaluable in seeing what's happening with the traffic," says Mr Bicknell.

Getting in and out of Kingston easily is crucial. The local authority is trying to eliminate bottlenecks on the A242 and A240 which come up from the A3, but they have no control over the access from Hampton Wick (in the Borough of Richmond) where in the rush hour the queues to get on to Kingston bridge are horrendous.

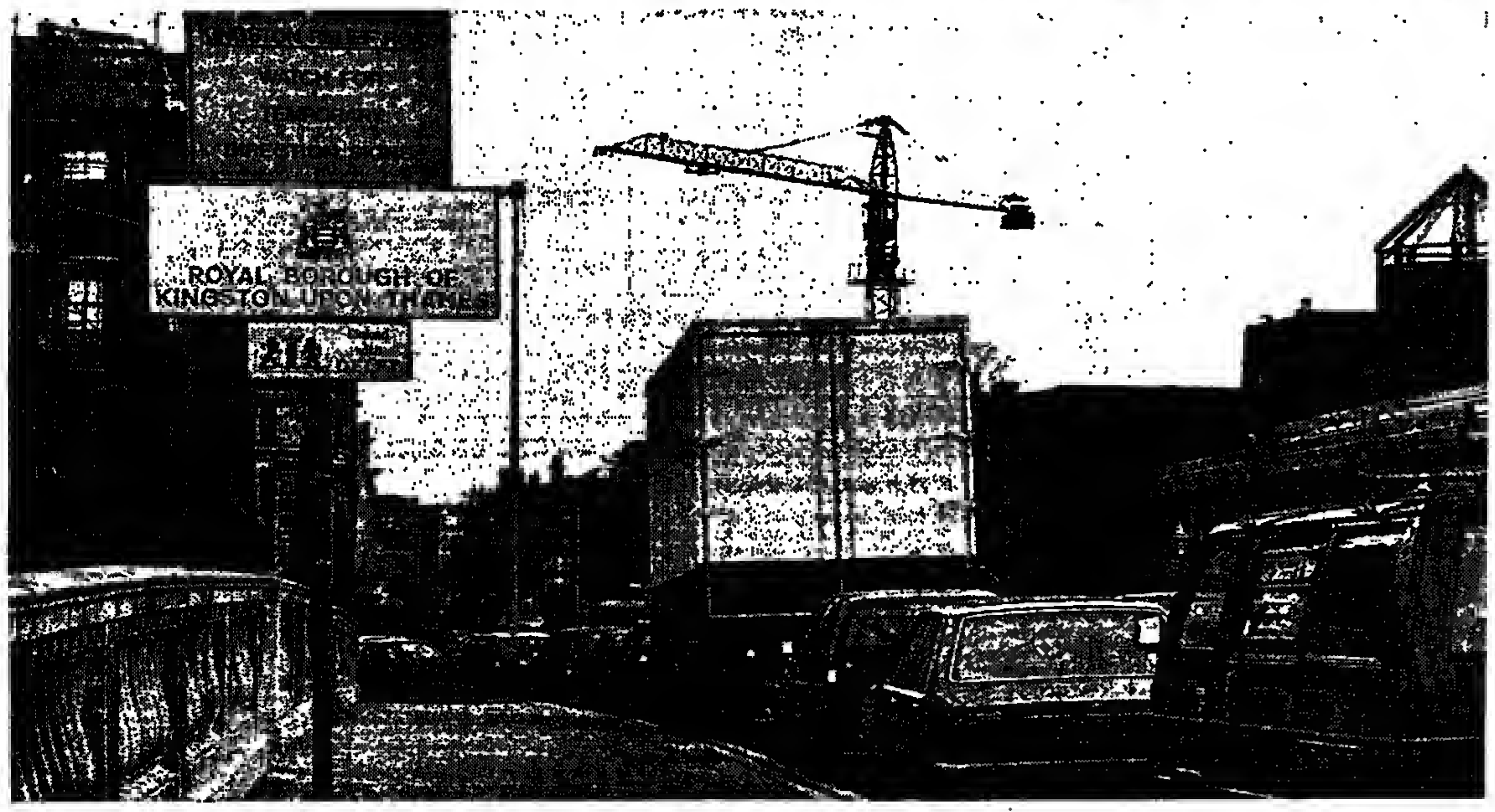
"In any case," says Mr Bicknell, "You don't want to make the roads too fast or people use them as a through route and you lose the benefit."

Here the railway comes in useful, with trains circling the "Kingston loop" to the north and west, from Richmond, a mere 15-minute journey.

To the north-east of Kingston lie densely populated regions such as Wimbledon and Clapham, from which train access to Kingston is also relatively easy – "We want to take advantage of the new developments in Kingston to encourage reverse commuting," says Mr Alec McNabb, a marketing manager at BR's Network SouthEast.

Kingston faces a slight problem in that owing to its 19th century desire for seclusion, it is 'off' the main lines. Hence, rail travelling usually involves a change of trains, although often an easy one. There is currently a bus from Surbiton, but, in the longer-term, light rail links might be installed.

"We're in preliminary discussions to pnt Kingston on the District Line by linking it with Wimbledon and Richmond, using the BR track," says Mr Bicknell, with commendable farsightedness. Bnt, comments Mr McNabb, "That's just a gleam in his eye."



Traffic congestion on Kingston Bridge will eventually ease. Getting in and out of the town is crucial. Picture: Tony Andrews

Expansion plans at Chessington World of Adventures

ONE of the increasingly popular leisure attractions which draw visitors to the Kingston area is the Chessington World of Adventures, which was opened in July, 1987, by Prince Edward, after a £10m development programme. The transformation of the long-established Chessington Zoo into a major theme park took five years.

Last year, the first full year of trading at the Chessington World of Adventures, it attracted 1.15m visitors.

Phase Two of the project, costing $7.6m, is already under way. Work started last year on a themed area called 'Translyvania,' which is due to open in the Spring of next year. It will house 'The Vampire,' a large, hanging roller-coaster, plus themed fantasy rides for children.

Other developments at Chessington by the Tussaud's Group and its parent company, Pearson, include a $1m zoological project, including e bird garden, due to open in June this year.

A significant emphasis at Chessington is put upon educational visits – there is a video-equipped Education Centre with an informal classroom atmosphere, staffed by experts who work closely with the teaching profession. Nearly 80,000 pupils from 2,000 schools visited Chessington World of Adventures in 1987-88.

Lynton McLain profiles British Aerospace, the biggest manufacturing employer in Kingston

The world centre for vertical take-off aircraft

AIRCRAFT HAVE been associated with the Royal Borough of Kingston-upon-Thames for more than three quarters of a century.

Today, British Aerospace is the biggest manufacturing employer in the borough and makes some of the most advanced military aircraft in the world, only a stone's throw from the town centre.

It is an improbable involvement to those who do not know the local history, but the borough has been linked with aircraft for almost the entire span of aviation in the UK.

Two of the most illustrious names in aviation, Sopwith and Hawker, are linked for ever with Kingston. They were world figures and produced world-beating products, such as the Sopwith Pup and Sopwith *Camel*, the Hawker Hurricane and Hawker Hunter. The names are synonymous with *all that was best and most progressive* in aviation's formative and more recent days.

The Hawker tradition of excellence and radical, innovative aeronautical design continues with the Hawk and the Harrier. The Hawk is a military trainer aircraft exported to 10 countries, including the US, where a version is known as the T-45A Goshawk. It was formerly built at Kingston,

Six fitters and a teaboy

which is still the base for Hawk design work.

The Harrier was the world's first vertical take-off fighter. It was conceived, designed and is still built at the BAe factory in Kingston, although visitors to the borough would be forgiven for not thinking anything so advanced or potent could be built behind the clean lines of the brick office block along the Richmond Road.

The close links between Kingston and aviation go back to the earliest days of aircraft manufacture, the days of wood and string, and the flat wooden floor of the former Kingston Roller Skating Rink, near the *corner of Canbury Park Road.*

This was chosen by Mr Thomas Sopwith, later Sir Thomas, who died this year, aged 101, as the base of the Sopwith Aviation Company, registered in 1913, with six fitters and carpenters and a tea boy. This was the start of aircraft manufacture in Kingston.

Thomas Sopwith was a pilot, flying and owning aircraft and a flying school. These experiences led him to make aircraft to his own specifications, at Brooklands. His first aircraft had its maiden flight on July 4 1912, from a site near the present headquarters of British Aerospace at Weybridge.

Eight days later, a Mr Harry Hawker, an Australian, joined Sopwith Aviation. On November 22 the same year, the company delivered its first aeroplane to its first customer, a Sopwith Tractor Biplane to the Admiralty, for £900.

This was enough for Sopwith to buy the site at Canbury Park Road. The building still stands.

Sopwith used the river at *Kingston* to launch many of his early float planes.

By September 1917, a *national aircraft factory* scheme was established by the Government, which provided the finance for the premises and equipment but left the management in the hands of the aircraft manufacturers.

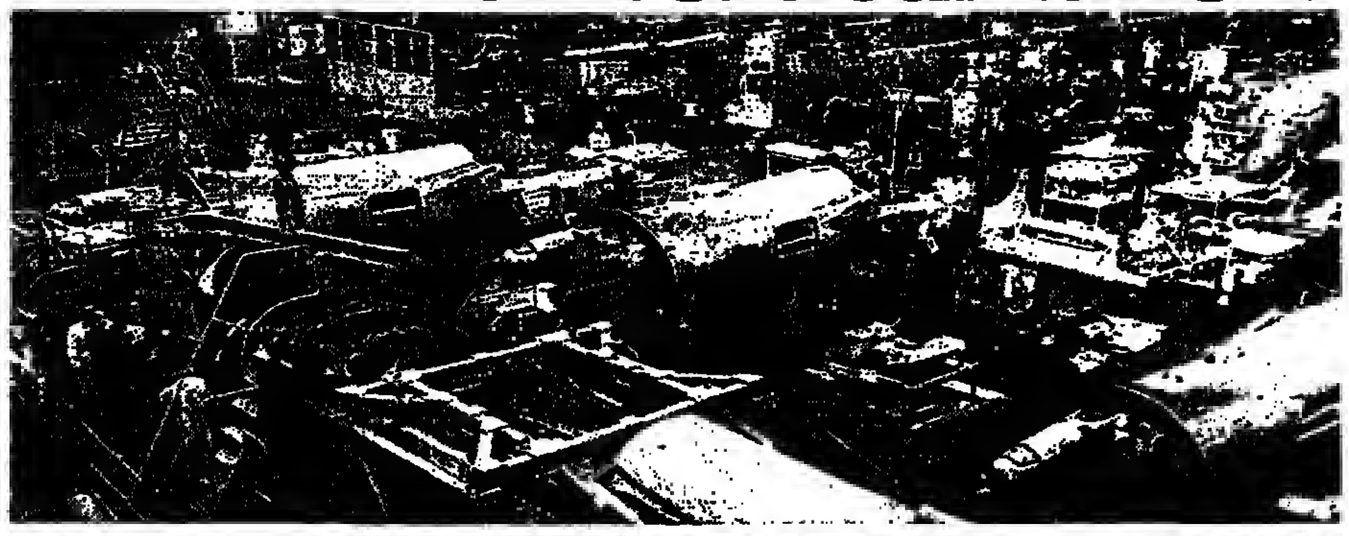
One of these factories was planned to be at Ham, near Richmond. Sopwith was offered and accepted a lease on this factory. At its peak, during the First World War, the Ham factory produced 90 Sopwith aircraft a week, in contrast to the months it takes British Aerospace to make a Harrier vertical take-off fighter from the same factory.

Sopwith Aviation went into receivership and was wound up in 1920 after the Treasury lodged a claim against the company for excess war profits. Simultaneously, e new engineering company, H G Hawker Engineering, was formed on November 15 1920, with Tom Sopwith and Harry Hawker as two of the directors. Hawker was killed a year later in an aircraft accident.

In 1922, the company began to make progress in the design and manufacture of new military aircraft, with the Hawker Woodcock, the first aircraft to carry the Hawker name, entering service in 1926.

The Hawker company leased its Ham factory to Leyland Motors in 1928 for the next 20 years, but on May 18 1933, Hawker Engineering became Hawker Aircraft, with a public flotation.

The prototype Hawker Hurricane fighter was made at the Canbury Park Road works and flew for the first time on November 6 1935.



The British Aerospace factory in Kingston (above), the nerve centre of the Harrier programme. BAe has a joint manufacturing agreement with McDonnell Douglas for the new Harrier II which is partly built by BAe in the UK and partly in Missouri. A far cry from the Kingston of the First World War and production of the Sopwith "Snipe" (right)

So much for the history of aviation in Kingston. British Aerospace would probably have been unrecognisable as an aircraft manufacturer to the late Sir Thomas Sopwith. Some of the original workshops used for the manufacture of early aircraft are still in use, currently for production of Harrier vertical take-off fighters.

Kingston is part of the recently formed British Aerospace (Military Aircraft) Company, which has its headquarters at Warton in Lancashire. The Kingston site is the centre for all design on Harrier aircraft, including possible supersonic versions.

It is also the centre for marketing for the entire military *aircraft company and for all* the other aspects of British Aerospace's defence interests.

The Kingston centre is known as the British Aerospace Defence Marketing Organisation and is an important addition to the work carried out by BAe at Kingston, giving it an added international dimension, across the entire spectrum of BAe's defence activities.

These include military aircraft sales; products from Royal Ordnance, the former state-owned arms and munitions factory, bought by British Aerospace in 1986; prodncts from BAe Dynamics, mainly guided missiles; Land Rovers and military versions of the BAe 146 civil airliner.

Kingston was chosen for this role because of its easy access to Heathrow and Gatwick airports and to the Government's Defence Sales Organisation in London, which negotiates government-to-government contracts for military aircraft.

Mr Chris West, the director and general manager of British Aerospace at Weybridge, Kingston and Dunsfold, says the Kingston marketing centre for the military aircraft division "concentrates on getting the work and spreading it around the company's various sites."

The marketing centre occupies a new building on the Kingston site and expands the range of capabilities at Kingston and opportunities for careers for people in the area. Up to 150 people will be employed eventually at the BAe Defence Marketing Organisation, under Mr Mike Turner, who has a seat on the boards of the three BAe defence companies, Military Aircraft, Dynamics and Royal Ordnance.

The business centre for military aircraft, currently at Kingston, is moving to Warton. The centre looks after all details of contracts, purchasing and headquarter corporate finance functions. It is separate from the BAe Defence Marketing Organisation, which will remain at Kingston.

Kingston is also the operations centre for the military aircraft company, embracing production, design and research. Mr West says: "We are the main centre in the world for vertical and short take-off design and engine ingestion problems."

The Kingston site is the centre for the production of the Harrier, although parts for the aircraft are made at other sites in the BAe group. The final assembly of the aircraft and its flight testing is carried out at the BAe airfield at Dunsfold, Surrey.

A total of 845 Harrier aircraft have been built or are required by the armed forces of the UK, the US, India and Spain, of which 491 have been exported.

The Harrier programme involves simultaneous production of parts of the aircraft in the US and in the UK. The front fuselage and wings for the Harrier II, the AV8-B of the US Marine Corps and the US Navy, are made by McDonnell Douglas in the US. The rear fuselage is made by BAe at Kingston. UK orders for the Harrier II are put together in Kingston and US orders for the AV8-B are put together in the US.

In addition to aircraft production, the Kingston offices have a great deal of computer software work for the Harrier, the European Fighter Aircraft and the Tornado multi-role fighter.

Mr West says: "We have a very, very high technology workload and a substantial production workload at Kingston."

The company has a three-year programme of work for the US Harrier programme, a second batch of Harriers for the Indian Navy and the npdate programme for the Royal Navy's Sea Harrier, the FRS2.

"We blend high technology work with industrial manufacturing processes," Mr West says. "At Kingston, with a total of 3,800 staff, there is a ratio of one qualified employee to every skilled shopfloor craftsman."

About 1,000 staff at Kingston and Dunsfold work in the BAe technical organisation on aerodynamics and other technical subjects, across the range of engineering skills, including computer skills. Mr West acknowledges that these are some of the same skills that are in great demand in the South-East of England.

The company has a stable workforce in computer software skills, compared with the 10-12 per cent turnover for technical people in the South-East, although there is "some interchange of skilled people with other companies in the South-East."

Local bargaining and a local salary structure for staff at Kingston, independent of the rest of BAe, allows the company to respond to market pressores and competition from other employers in the area. This enables BAe to offer terms that are designed to be attractive to skilled and qualified people, who can also be offered several career rontes once they are in the company.

At the moment BAe is training 334 people, of which 152 are local craft apprentices. Mr West points out that the local production director at the factory came up through the craft apprenticeship scheme.

With a workload approach-

A stable workforce in computer software

ing £800m for the latest versions of the Harrier and a recently awarded contract for £170m for the development of the FRS2 version of the Sea Harrier for the Royal Navy, British Aerospace at Kingston has plenty of work and plenty of opportunities for people to develop careers of lasting satisfaction in an area of high technology that is unique in the south of England and indeed unique in Europe.

The maiden flight of the P1127 prototype of the Harrier, known as the Kestrel, was 29 years ago this autumn. It was a revolutionary aircraft then and remains unsurpassed. It arose, literally, from the proud aviation traditions of Kingston-upon-Thames and looks set to continue to provide work for the people of Kingston and its surrounding areas, until at least the end of the century.

Kingston is relatively well served in the educational field, says **David Thomas**

Links with industry are strengthened

KINGSTON is fortunate in having an educational institution of national standing – right in the centre of the town – in Kingston Polytechnic, widely recognised as one of the most successful polytechnics in the country.

Under Dr Robert Smith, who joined the polytechnic as director in 1982 from Southampton University, where he had been professor of electronics, the polytechnic has built up strong links with industry and a reputation in many of its faculties rivalling that of some universities.

Expansion has been steady with the numbers of full-time and sandwich students growing from less than 5,200 in 1982 to more than 6,000 last year, with part-time students going up from 1,100 to 1,600 over the same period.

Demand has more than kept place with provision, with the consequence that there are many more applicants than places for most courses. Kingston even says that, against the national trend in the polytechnics, its engineering courses are usually fully subscribed.

Dr Smith is the first to admit that the polytechnic has been helped by its location on the edge of London in the affluent county of Surrey.

Kingston has been able to attract a surprisingly large number of students educated at private schools from the home counties middle classes. Dr Smith talks only half-jokingly about the *Fionas rolling* up in their Porsches to take business studies at Kingston.

Moreover, in the dog days of recession in the early 1980s, Kingston benefited from a steady flow of students from the North seeking access to the more buoyant labour markets of the south east.

The 1980s expansion has not been without its costs. With the growth in student numbers outstripping that of finance, something has had to give. Student-staff ratios of about 8:1 in 1979 have deteriorated to about 13:1 now.

Moreover, the figures for overall growth conceal a switch of emphasis within the polytechnic. The faculty of human sciences (humanities and social sciences) has broadly stood still in terms of student numbers, despite intense demand by students for its courses, while the faculties of science, technology and business and law have fed the expansion.

"My judgement was that these were tha things which were going to get us money," Dr Smith explains, referring to the Government's policy of prodding the polytechnics firmly in a vocational direction.

Nonetheless, all Kingston's faculties share the common aim of developing close links with employers. This is done partly through the nature of the curriculum.

"We talk to people in industry about their needs before we design courses," explains Ms Pauline Stephenson, an engineering lecturer.

Kingston students typically have a *spell with an employer* during their time at the polytechnic – "we regard the process of them getting the placement and spending time with a company as part of the development that our students go through," says Mr David Miles, dean of the faculty of busines and law.

The upshot, Ms Stephenson says, is that Kingston's engineering graduates can walk straight into a job in industry and be immediately useful to an employer: over 90 per cent of students passing through Kingston's engineering schools do just that, she says.

Many of Kingston's lecturers have also forged close links with employers. One example is Dr James Curran, the Midland Bank Professor of Small Business, who besides running one of the three designated centres of excellence for research into small businesses in Britain, acts as a consultant to Midland Bank on its small business strategy.

Yet despite the tangible air of success at the polytechnic, Kingston is facing two pressures which have forced it to re-think its future development.

The first of these, peculiar to Kingston, is a physical limit to growth. *Although it has managed* to build a sparkling new technology centre, high property prices in the booming town prevent the polytechnic from expanding greatly either its teaching capacity or its hostel provision for students.

The second pressure is the *sharp decline in the number of* 18-20-year-olds expected nationally in the early 1990s. While Kingston has not yet noticed intensifying competition for schoolleavers, Dr Smith accepts that "somewhere along the line, the 18-year-old demand will fall."

The polytechnic has come up with a five-year plan which seeks to make a virtue of these twin pressures. It is working on the assumption that growth in the early 1990s will come almost exclusively from part-time students, who also tend overwhelmingly to be mature students.

Kingston has already developed its part-time provision, targetting local companies which want to improve the skills of their managers and mature students who missed out on higher education immediately after school. Kingston is busy laying on dedicated courses for companies such as ICL and British Aerospace, as well as npdating the skills of a clutch of professions ranging from chemists to personnel managers. Demand for its part-time and distance learning Masters of Business Administration degree bas been intense.

"By the mid-90s, we'd like to see fewer numbers of 18 uear olds and rather larger numbers of 25-30 year olds," contends Dr Smith. He will bave more scope to drive through his *vision* thanks to the new independence from local authority control granted to all polytechnics from next month.

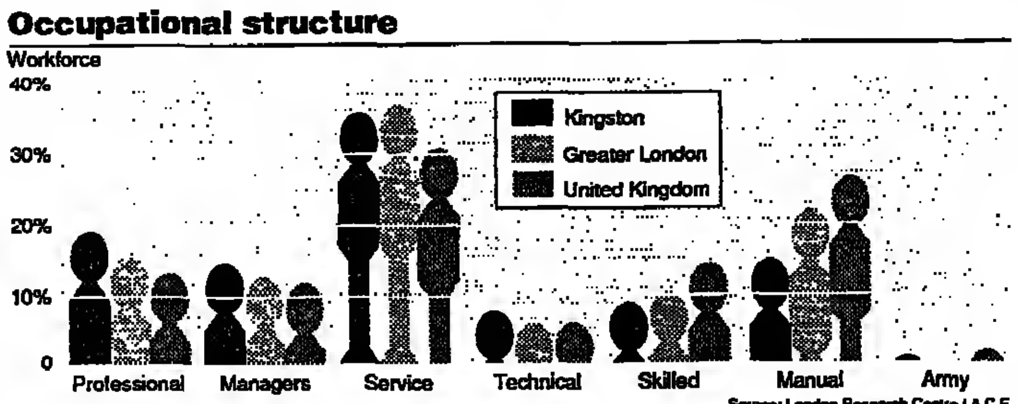
Not that Dr Smith's local education anthority – the London Borough of Kingston-upon-Thames – ever laid a particularly heavy hand on the polytechnic. The borough is proud of its edncational provision, which unusually is still split into grammar and secondary modern schools.

Last year, the grammar scbools looked under threat when the Conservative Party temporarily lost its grip on the council, but the debate has eased off now that the Conservatives have regained control.

The two grammar schools – Tiffin Boys and Tiffin Girls – have strong reputations. Moreover, since they cater for only 15 per cent of each year group (25 per cent is a more normal ratio for authorities with grammar schools), Kingston's eight secondary modern schools are also able to sustain viable sixth forms.

Add in two independent schools in the borough – Kingston Grammar Scbool, catering for boys and girls, and *Surbiton High School, a girls'* private school – plus Kingston College of Further Education, which draws in students from well outside the borough, and the impression of strong all-round educational provision is complete.

Occupational structure



Source: London Research Centre / A.C.E


Dr Robert Smith, director of Kingston Polytechnic

Profile of a 'true enthusiast' amid tribulation

Transport scheme's prime architect

THE NEW relief road which is responsible for unlocking Kingston's development potential, but which has inevitably attracted a great deal of local criticism, is sometimes referred to maliciously as "Bicknell's Folly."

It is an unfair criticism of the role played by Mr Dennis Bicknell, the borough's director of engineering and transportation, and the prime architect of the whole traffic plan.

"To the average person in the street who just sees chaos, the council is always wrong. There has been criticism of Dennis, but I don't know how he could have done it differently or more effectively," says Mr David Wilson, editor of the Surrey Comet, the Kingston-based newspaper.

Dennis Bicknell's secret is *that he is a true enthusiast*. He has needed to be given the trials and tribulations, the false starts and the brickbats he has had to endure. But now the final link in the plan is about to be completed and a key part of the town centre pedestrianised, it has all been worthwhile.

Mr Bicknell knows his Kingston. He was the borough's principle engineer from 1962 to 1965 responsible for traffic and highways engineering before leaving for a spell at Ealing and then Hammersmith councils.

He returned in 1978 as Kingston's borough engineer, a post that was converted to Director of Engineering and Transportation in 1985 prior to the abolition of the Greater London Council, when the borongh took on much greater responsibilities.

The story really started in the mid–1960s when Kingston was being throttled by traffic, and trolley buses dictated the traffic patterns. When London Transport decided to abolish tha trolleys it gave Kingston, in conjunction with the Ministry of Transport and Surrey *County Council, the opportunity* to launch a new traffic scheme for the town centre.

A one–way scbeme was devised which rapidly increased flows over Kingston Bridge by 30 per cent, but which was meant to last for a maximum of five years before the relief road *was built*. Instead, it lasted for nearly 25 years.

Part of the trouble was the shift within the Greater London Council in the late 1960s, through the 1970s and into the 1980s against road building and in favour of homes – "that's politics," says Mr Bicknell, philosophically. It was only after the abolition of the GLC early in 1986 that the relief road could be started and the crucial contract signed with the John Lewis Partnership for a new store.

A system of monthly meetings was *instituted* with local chambers of commerce and other interested groups to identify the work that needed to be done in the coming four-week period and to minimise disruption for shoppers and traders, and to analyse what had happened in the preceding month.

"It worked very well," says Mr John Perry, last year's president of the local Chamber of *Commerce*. "It was a question of keeping the patient alive while the operation was under way."

Now that the relief road is virtually oomplete, Mr Bicknell's enthusiasm is transferring to making it look attractive by holding competitions for murals and *sculpture*, and to its smooth functioning with the introduction of sophisticated television traffic-monitoring equipment.

Cameras are linked to the main traffic computer at Scotland Yard which covers the whole of Greater London. *There are also separate free* standing systems for Kingston and Croydon.

Two car park signalling systems are to be introduced, one a unique development on each of the five major entry roads into the town giving electronically the number of *vacant spaces* in various groups of car parks, both private and local authority run.

The other will be a "follow my leader" signalling system directing the motorist to the nearest convenient car park when others are full.

"Have we seen the last of Kingston's notorious traffic jams?" Mr Bicknell was asked.

"Not necessarily," was the cautious reply, "but we are using high technology to get as much as we can out of the road system.

"It is much more robust than it used to be, and won't be as *susceptible to blockages*, bnt there won't be much spare capacity," he warned.

Richard Evans


Dennis Bicknell, director of engineering and transportation at Kingston

Decision awaited on prime site

THE FUTURE of one of Kingston's few remaining prime sites is expected to be announced within the next few weeks. The 8.3 acres *occupied by the defunct* power station adjacent to Canbury Gardens has a superb frontage to the Thames and includes a former coal-barge landing wharf.

The Central Electricity Generating Board said that *about 30 offers originally* came in when the site went out to tender and that these had now been whittled down to about half a dozen. It has taken the CEGB from October 1980 to get so far.

One of the reasons is that while many power stations *were going out of use*, decisions had to be taken about their demolition. Should the board take on the dismantling job – or leave it to developers? In any event, the board is pretty well responsible for dealing with all the external removal of *asbestos and could take on* a supervisory role on its removal, internally.

Once these hurdles had been cleared, prospective developers had to take into account the planning brief, submitted by Kingston council in its role as the planning authority.

"The council has *made* it quite clear that it is opposed to another big shopping or office development," said Mr Mark Gilks, *director of* development. Nor does it want industry or more warehousing for a site so important and so near the heart of the town.

Because the site is within the view of the royal parks at Hampton Court and Bushey *Park on the other side of the* river, there are restrictions on the height of any building.

Development will be restricted to five or six storeys at the most and to two or three storeys against the river frontage to provide a stepped-back look and *avoid wind funneling which* might interfere with river-based leisure activities.

In its *guidelines*, the council clearly favours "a prestigious housing development orientated towards the river". This would minimise traffic flow through the area.

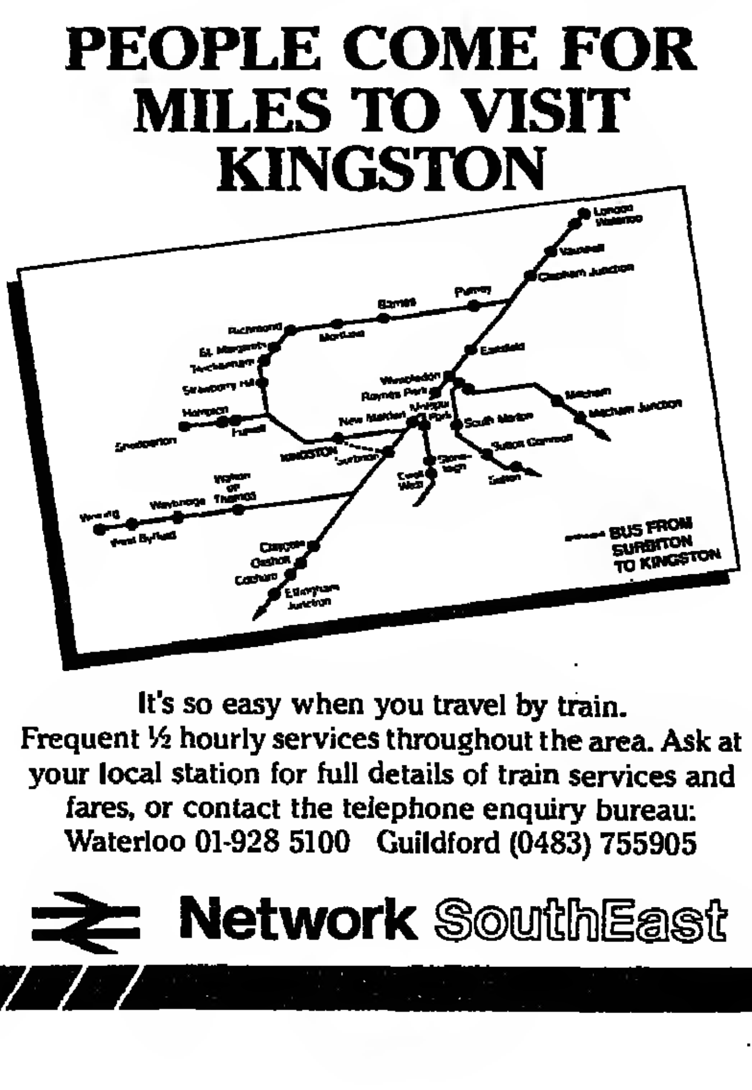
Development would have to allow for a riverside walk and "protect the integrity of Canbury Gardens". It also sees public houses, restaurants, cafes, boating and a site for a marina as possible riverside uses.

Leisure and recreation and an hotel which could be used as a conference centre are defined as secondary uses. In fact, the town lacks hotels at the top end of the market – such as Kingston Lodge Hotel on Kingston Hill, although a number, including the Antoinette Hotel and Haven Hotel (strictly speaking, over the border in Elmbridge) have been upgrading recently.

When all those criteria have been *met* and the *planning* obstacles overcome there are still further bodies such as the Royal Fine Arts Commission, the Thames Water Authority, the Department of the *Environment* (which protects the Royal Parks) and the *Health and Safety Executive* (which deals with any hazards in the demolition) to have their say.

Perhaps all thia is not a good augury for a speedy development. In the meantime, the CEGB, once the sale has been completed, *has only one further major* task: to apportion the money from the sale between National Power or PowerGen, preparatory to privatisation.

Arthur Dawson



ACCOUNTANCY COLUMN

Lessons of breaking away and breaking apart

By Richard Waters

ARTHUR ANDERSEN chief executives suffer from a recurring problem which will not have escaped the notice of the latest man to lead the firm.

The first to experience it was Mr Harvey Kapnick. Ten years ago he dreamt up the notion of breaking apart the firm's management consultancy and accountancy businesses.

Remembered by former colleagues as an autocratic leader, he presented his idea to the rest of the partners as a *fait accompli*. Within two weeks he had been ousted.

Into Mr Kapnick's shoes stepped Mr Duane Kullberg. He is an altogether different character, choosing to lead by consensus. All his considerable reserves of diplomacy and charm were put to the test in reconciling the interests of the accountants and consultants within Andersen.

He managed this well during a period of rapid growth. But standing on the fence between the two businesses proved in the end to be an impossible feat: the last two years have seen tensions between the two arms of the firm boil to the surface.

At the start of this year Mr Kullberg decided to jump off the fence to allow someone else a turn.

Step forward Mr Lawrence Weinbach, the 49-year-old Andersen number two who was last week announced as its heir apparent.

(Andersen's 2,000-odd partners are given no choice in the candidate they are asked to approve for high office. A specially created nominating commission and the firm's board are supposed to have sorted out the best man for the job already, leaving it to the partners to approve the choice).

Like Messers Kapnick and Kullberg, Mr Weinbach must balance the interests of the two sides of his business. Unlike them, though, he inherits a structure in which each side is largely self-governing. Observers are now predicting either that this will make the job of the chief executive easier (he will have fewer internecine struggles to deal with) or that it will make it more difficult (the real power will be to the hands of the heads of the consultancy and accountancy arms, leaving Mr Weinbach with considerably less power than his predecessors).

Mr Weinbach was adamant last week that under his leadership the consulting and accounting parts of Andersen will stay together. "There are many organisations that have different functions" in the same group, he said, and Andersen's new structure will make such cohabitation easier.

If Mr Weinbach survives in his post as long as Mr Kullberg, he is likely to witness an accountancy business very different from today's, and not just in the relative influence of the consultants. Two developments that Mr Weinbach touched on last week: the emergence internationally of Japanese accountancy firms, and the need for firms to tap the capital markets more actively than they have in the past.

"Certain Japanese firms have started opening up offices outside Japan – on the East Coast and West Coast, even in Europe," said Mr Weinbach.

This is significant for the largely Anglo-US dominated accountancy firms. They are currently engaged in drawing continental Europeans more closely into their organisations, overcoming their traditional isolation from the international firms.

Japanese firms, however, are remaining largely aloof. If they continue to stand outside, and particularly if they build their own overseas networks, the international firms could find the carpet being pulled from under their feet. Also, they will not have access to the strong client base of the Japanese firms.

The second development likely to change the face of the business is the need to bring in outside capital. Mr Weinbach says that this is not an issue which has been settled yet, and that Andersen needs to review its capital needs.

Like other firms, it is undergeared – its borrowings are understood to be around half of partners' equity. This will come under review

Joint ventures are the other route frequently mentioned by Andersen partners, and endorsed by Mr Weinbach, as a way of satisfying the hunger for capital.

All of this will give Mr Weinbach plenty of food for thought.

* * *

ANDERSEN'S restructuring was accompanied by a breakaway of some of its consultants in the US to form their own business, backed by Saatchi & Saatchi. Such breakaways are still relatively scarce in the UK, but are likely to become more common.

While reaping the rewards of high added-value "people businesses" in recent years, accountancy firms have avoided the sort of breakaways and fragmentation which typify similar businesses.

One factor that has prevented this in the accountancy business is the immense internal discipline of firms. The individual is less important than the organisation.

Also, partners have maintained a strong grip on their firms, building an ethos of partner prominence and partner reward.

Two recent examples of breakaways could give a hint of greater change in the future.

In 1987, four management consultants from Coopers & Lybrand's manufacturing consultancy branched out alone. Based in Leeds, York MDM now lists British Steel, Metal Box and Nabisco among its clients.

Turnover in the first year reached £1m, with £2m predicted for 1989. The firm now has 20 staff. Its low overheads and specialist focus allow it to make healthy margins and still beat the large firms on price.

Two years earlier, four audit managers left Price Waterhouse's Windsor office to set up on their own. Their firm, Auckland Goddard Hampson & Swain, is expected to turn over £1.5m this year with a staff of about 40.

The client list of a small accountancy firm is never going to rival that of a "niche" management consultancy: they lack the brand name that large companies look for from an auditor, with its assurance of quality.

However, such firms target small and growing companies – exactly the market the largest firms have earmarked for themselves.

Substantial breakaways, involving the movement of leading audit clients, may still be some years away. However, the era of docile obedience to the firm is coming to an end. Spin-offs will become more common in the future.

* * *

THE UK's audit regulators won a significant victory last week in their appeal for immunity from legal claims.

The battle was reminiscent of the self-regulating organisations' fight for immunity under the Financial Services Act. No one would want the thankless task of being a regulator if they ran the risk of legal action each time one of their charges was found wanting, ran the argument.

The professional accountancy bodies potentially ran a much higher chance of being sued than the SROs. The multi-million pound writs that frequently land on auditors when companies go bust would start to land on the regulators as well.

The forthcoming Companies Act will now grant the regulators immunity, the Government said last week. That has brought a huge sigh of relief.

It does not change the fact, however, that the Government wants the profession to upgrade its regulation of auditors significantly under the new regime. Current thinking is that it will take at least two years from now before the apparatus of rule books and monitoring units has been assembled: after that, auditing will be a more highly regulated business.

If successful, this will bring greater assurance for shareholders – and more expensive audits for their companies.

ACCOUNTANCY APPOINTMENTS

Financial Controller

South East

c£35,000 + Car

Our client operates an extensive and much respected fast-moving consumer orientated business with many of its interests and operations based on the South Coast. The essential concept of the business is to offer and provide a high quality service and to be market leader within the sector in which it operates.

As a well-known name the services provided by the company are utilised by both commercial clients and public customers alike.

As a result of continual developments the largest and commercially most important division (t/o £100m) now seeks to recruit a Financial Controller who will report direct to the General Manager. The function will head a large accounting team and provide total support to the General Manager as well as to fellow business managers. There will be a strong emphasis on the timely production of quality financial information, the upgrade of systems and computerisation, staff management and a continual input to commercial decision making.

Candidates should be qualified accountants, aged mid/late 30's, who can bring positive contributions to the objectives above and play an active part in being a senior member of the management team in running the business.

Please telephone or write enclosing full curriculum vitae quoting ref: 317 to:
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE

Tel: 01-839 4572
Fax: 01-925 2336

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

Whitehouse

North West Kent

Due to continuing growth, this well established and highly successful motor trading group requires a

GROUP FINANCIAL ACCOUNTANT

c £24K + Car + Benefits

Reporting to the Group Financial Controller, the successful applicant will be a fully qualified ACA/ACCA, aged 26 - 36. The emphasis will be on tight and effective accounting control to meet both statutory and group requirements, therefore strong technical skills, preferably gained in a computerised environment, are a must.

Applications in the strictest confidence to:-

PSB Executive

PSB Executive Recruitment
16-18 North Street, Ashford Kent. TN24 8JN.
Tel: 0233 46111 or 45676

Finance Director

Consumer Products

£75,000 North West

A rare opportunity for a first class finance professional to achieve a major career success with a top ranking organisation in an environment of change.

THE COMPANY

◇ Highly regarded business with turnover of £750 million. Planning to accelerate growth.

◇ Requires excellent financial direction to maximise the future business performance and profitability.

THE POSITION

◇ Responsible to Managing Director for financial strategy, controllership and treasury management.

◇ Full participation in overall business strategy.

◇ Short term emphasis on the implementation of effective financial disciplines throughout the operation.

QUALIFICATIONS

◇ Chartered Accountant, aged 35-42, with successful track record of financial management in a substantial operation.

◇ Strong controllership experience.

◇ Good personal presence, leadership qualities and effective communication skills.

◇ Ability to demonstrate commercial acumen and the credibility to gain the support of colleagues in implementing change.

THE REWARDS

◇ Attractive base salary and highly geared performance related bonus scheme.

◇ Significant career opportunities within the group.

Please reply in writing, enclosing full cv,
quoting Reference H9908
54 Jermyn St, London SW1Y 6LX.

LONDON - 01-493 3383
SLOUGH - (0753) 694844
HONG KONG - (HK) 5217 1334

International Role – for the betterment of man

Director of Planning and Analysis

Thames Valley **c£33,000+F/E Car**

Our client is a world leader in a particularly high technology sector of the healthcare industry, with its International Headquarters located in the Thames Valley; the parent company being a multibillion dollar US corporation. International generates over $200 million turnover and continues to experience strong organic growth with all operations outside the USA being managed, controlled and consolidated through this International Headquarters. The result is a complex worldwide business involving over 20 countries in sales, marketing and manufacturing activities which inevitably creates a myriad number of challenges for the finance group.

The International Division is continuing to grow strongly and in recognition of the need to strengthen the management team, particularly in the area of financial analysis, a new position has been created – Director of Planning and Analysis. Supported by a small team of people your role will be equally split between monthly consolidation and analysis, and the planning, forecasting and budgeting activity. The emphasis will be on the interpretation, analysis and understanding of the numbers, and therefore the intuitive ability to spot the 'wrong' number combined with experience in a line position will be particularly relevant. There will also be considerable interface with operating company controllers and external authorities (e.g. auditors) in resolving local issues, requiring both technical, commercial and diplomatic skills. Travel will be approximately 10-20% mainly in Europe.

The successful candidate will be a qualified accountant (ACMA/ACCA/ACA) aged 33-38 who has had line management experience, preferably in a manufacturing environment, together with head office experience, most probably in a US multinational. A 'hands-on' 'shirtsleeves', informal and highly committed approach, combined with a more persuasive, than aggressive, style will be particularly important, as will a chameleon ability to relate to your extensive range of overseas colleagues as an internationalist.

I would be pleased to receive CVs from applicants who believe that they can match our client's demands:–

Wayne Thomas, Executive Division, Michael Page Finance, Windsor Bridge House,
1 Brocas Street, Eton, Berkshire SL4 6BW.

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

CORPORATE FINANCE?
c£21,000

Our Client, a leading medium sized firm of Chartered Accountants, seek a recently qualified ACA to join their Corporate Finance Department. There will be considerable opportunity to gain a great deal of responsibility at an early age.

In the first instance please contact:
David Paton on 01-580 5522,
alternatively, write to: Executive Search Division, Hynes Associates Ltd.
Wells House, 77-79 Wells Street.
London W1.

European Business Analyst

City base **to £30,000 + excellent benefits**

Our Client is part of a major international group and is backed by one of the UK's top 100 plc's. It is a market leader in its specialist field, and is growing strongly in Europe, both organically and by acquisition. Current turnover is in excess of £260m.

In this new position you will join a small and highly professional team responsible for all aspects of financial planning and control. You will be concerned with acquisition investigations, and the evaluation of investment opportunities in Europe as well as the continuous review of the plans and operating performance of the company's subsidiaries. This is a high profile role and you will work closely with the Directors and other senior executives. There will be some travel in Europe.

Probably in your mid-late twenties, you should be a qualified accountant with a first class professional background and the technical ability and personality to be able to make an immediate impact on the Group. Fluency in French is almost a pre-requisite and other languages would be an advantage.

There is an excellent remuneration package and the career opportunities within the group are good.

Please reply in confidence, quoting ref. no. 948, to John Cameron, at Overton Shirley & Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Tel. 01-248 0355.

Overton Shirley & Barry
INTERNATIONAL SEARCH AND SELECTION CONSULTANTS

Financial Controller

The Challenge of Change

c£28,000 + Car + Benefits **South London**

Our Client is on the verge of major change. The Company is embarking on a substantial investment programme which will include relocation to modern premises and the implementation of new computer systems. A subsidiary of a major plc, this high precision engineering operation is a leader in its field. It has a current turnover of £12 million and positive plans for growth.

This challenge will demand the commitment of an ambitious Financial Controller to take responsibility for the total accounting and data processing functions.

Working closely with the Managing Director, you will need to be an adaptable and commercial-thinking professional who is determined to succeed and who will be expected to contribute to all areas of the business. Looking to the future, success offers early promotion to a directorship.

As a qualified Accountant, ACMA or ACCA, a background in manufacturing is essential. Your past experience will have included controlling the introduction of new systems and the management of an accounting team.

If managing change excites you, please send full career and salary details to Jennifer Baker at the address below.

LINK 13/14 Hanover Street, London W1R 9HG. Tel: 01 493 5788.
Link International Search & Selection Ltd.

Access Technology

FINANCIAL CONTROLLER

c £30,000
Car & Benefits
Home Counties Based

THE COMPANY
- Computer Software
- Market Leader in its Sector
- Excellent Growth Record
- American Multinational

THE POSITION
- Reporting to European G.M.
- Planning and Analysis of Strategy
- Compilation of Statutory Accounts
- Internal Audit of European Offices

THE PERSON
- Ambitious Qualified Accountant
- Experience of Growth Companies
- Knowledge of a Second Language would be an advantage

If you possess the necessary qualities,
call Robert Patey TODAY on 0494 - 463232,
or any Weekday between 9.00 am - 8.00 pm
or Weekends on 02407-71050
or send a full C.V. quoting Ref FT30389AT

Wardswift
FINANCIAL SELECTION

Cressex Business Complex
7 York Way, Lancaster Road
HIGH WYCOMBE
Buckinghamshire HP12 3PY
0494 - 463232

FINANCIAL CONTROLLER

Mayfair **£30,000 + Car + Benefits**

Our client is a well established and prestigious investment trust company. Excellent growth potential has now created the need for an accountant to join a progressive and ambitious management team in an unbureaucratic environment.

Based in superb offices in Mayfair, you will have full responsibility for all the corporate financial functions. Liaising directly with the Board your initial tasks will include the setting up and computerising of the accounting systems required to monitor a rapidly growing company.

Applications are invited from qualified chartered accountants, aged late 20's - late 30's with previous experience in the financial services sector. Within the management team you will be a key member expected to pull your weight with the imagination and business acumen that is this company's hallmark.

Remuneration is generous including family BUPA cover, non-contributory pension scheme, life cover and company car.

For a confidential discussion, please contact **Mark Werman ACA, Executive Division** on **01-925 0878.** Alternatively send your curriculum vitae to him at the address below.

TALISMAN Hamilton Partnership

Dorland House 14-16 Regent Street London SW1Y 4PH. Tel: (01) 925 0878

A MEMBER OF THE TALISMAN GROUP OF COMPANIES

FINANCIAL ACCOUNTANT SHIPPING

LONDON WC1
c £25,000

Zodiac Maritime Agencies Limited is a well established, successful and expanding ship management company.

Continued growth has created the need for a key position in the Accounting Team. The emphasis is on implementing and supervising controls over the company's activities, providing accurate and timely management information.

The appointment calls for a qualified or partly qualified accountant currently working in a commercial environment, with strong systems background, familiarity with Lotus 123, and ideally with experience of the shipping industry.

The successful candidate should be energetic, have proven initiative with strong inter-personal skills and the ability to achieve results in a demanding environment.

Please send a detailed C.V. and day-time contact number.

M. Hall
Zodiac Maritime Agencies Limited
Lynton House
7-12 Tavistock Square
London WC1H 9TP

(01-387 7676)
(No agencies)

Finance Director

Bring the best out of a new acquisition in BUDAPEST

As Hungary enters a new era embracing fresh business and commercial ideas, our client is about to embark upon a challenging and exciting venture.

Already established in Hungary as a leader in its field, this heavy engineering company employing over 1,000 people can now look forward to further market expansion. Selling to both national and international customers, the British holding company will help make available further distribution channels and encourage new product development.

Reporting to and working closely alongside the British-Hungarian Chief Executive Officer, the Finance Director will join a four-strong senior management team. The immediate task at hand will be to design and implement appropriate financial control systems with the view to installing a fully computerised system. The Finance Director will be seen as an important driving force in the company's profitable development.

In addition to strong financial and management accounting skills gained within a large company environment, it is expected, though not essential, that the successful candidate is a qualified accountant or MBA. A strong man manager, with a real "shirt sleeves" approach, you will need at least a working knowledge of Hungarian to communicate effectively within and outside the organisation.

The remuneration package includes a generous tax-free base salary, Western car, housing, pension, health cover, school fees and a share option scheme. It is envisaged that the successful applicant will be based in Budapest for three years.

To find out more about this unique opportunity, please contact Fiona Davidson on 01-631 0479 or 01-470 0534 (evenings/weekends). Alternatively please write to her at Seer Selection Limited, Marcol House, 293 Regent Street, London W1R 7PD.

SEER
Seer Selection
RECRUITMENT CONSULTANTS

Director of Finance

South West — **c£35,000 + F/E Car**

From small beginnings, and through the development of a major corporate customer base, our client has created a well established, rapidly growing, divisionalised company providing a range of "image creating" services, from design, through manufacture to installation. The past 5 years have shown compound growth averaging 30% per annum generating a profitable turnover circa £5 million and continues to accelerate both organically and through the development of new services.

Opportunities abound in terms of future growth potential – however, to achieve them and to manage the on-going business in a more profitable, effective and controlled manner, the company has identified the need to strengthen its financial and administrative skills through the appointment to the board of a first class Director of Finance and Administration.

The main objective of the Director of Finance's role will be a commercial contribution towards the growth and financial structuring of the company to generate future secure profitability.

Reporting to a thrusting, entrepreneurial Chairman, you will have responsibility for a team of people providing the very wide range of duties associated with the smaller independent company – from the esoteric to the basics. Barely half of the duties surround finance, whilst the remainder includes sales administration, buying, company secretarial, personnel policies, and bank relationships. There is a strong need to build and develop an effective and unbureaucratic *management information system* covering all areas of finance and administration and therefore good computer literacy will be essential. A key initial issue will be the creation of a more realistic and detailed costing system.

We are seeking a well rounded, widely experienced individual who will most probably be aged 35-42 and a qualified accountant (ACMA/ACCA/ACA). Your experience will have been primarily in smaller companies rather than large corporations, with a significant "hands on" knowledge of a manufacturing environment and an intuitive, "shirt sleeves" style of identifying and resolving problems. Practical experience of purely administrative affairs and the choosing and installation of computer systems will be as important as your technical financial skills. You will have acquired the maturity of considerable experience, with a diplomatic, and assertive, but not abrasive approach, and a strong desire for more general management involvement. With its increasing overseas exposure, any European language skills would be particularly beneficial.

The ultimate rewards for the successful person can be exceptional in an environment with a very progressive attitude towards fitting the remuneration to the right individual. The initial package includes an excellent salary, a fully expensed car, a very good company pension and relocation expenses where appropriate.

This excellent career opportunity is further enhanced by the quality of life associated with this delightful part of the country and the ambience created by a University City.

If I have described the opportunity that you have been waiting for, please submit your CV to

Wayne Thomas, Executive Division,
Michael Page Finance,
29 St. Augustine's Parade, Bristol BS1 4UL.

Michael Page Finance
International Recruitment *Consultants*
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCE DIRECTOR

A HIGH PROFILE OPERATIONAL ROLE IN FMCG

North West — **to £35,000 + Car + benefits package**

Our client is a privately owned and rapidly expanding group engaged in the manufacture and distribution of fast moving consumer goods for both U.K. and export markets. Current group turnover in the region of £60m has been achieved by a series of major acquisitions and organic growth. Future aspirations and plans include further acquisitions, expansion overseas with the eventual aim of a stock market listing.

To achieve these objectives a high calibre individual is sought to assume full financial control for U.K. operations which are located throughout the North and Midlands. Reporting to the Group Finance Director and the main board your initial priority will be to introduce more sophisticated management information and control systems which will then enable you to play a key role in monitoring and analysing the performance of key business areas. You will be responsible for providing the financial and strategic advice necessary to support a major programme of change and expansion within the division.

To be considered for this demanding and high profile role you must be a qualified Accountant in the age range 35-45. Your career to date must demonstrate a successful track record of achievement in an FMCG or marketing led environment utilising sophisticated computerised reporting systems. Your approach will be down to earth and flexible coupled with considerable personal presence and the commercial acumen necessary to influence and create change.

The package is negotiable and will be tailored to suit the needs of the right individual and will include fully expensed car, profit share, contributory pension and private health plan.

Interested applicants should write to **Mary Byrne** or telephone to request an application form on 061-236 1212.

STARK BROOKS ASSOCIATES
Accountancy Recruitment Consultants
SUITE 4, 2nd FLOOR, ST. JAMES'S BUILDINGS,
OXFORD STREET, MANCHESTER M1 6FQ
TEL: 061-236 1212/061-228 0183

Divisional Accountants

Dynamism and Innovation: — **c£28,000 + car**

What you'd expect from an organisation of our calibre and what we'll expect from a professional of yours

Working for the country's number one retailer represents a genuine challenge. Because here at Sainsbury's our success is built upon our reputation for providing the highest standards of quality. Standards that have been achieved through the kind of innovation, dedication and ambition that you should possess in order to join us as a Senior Accountant within our Distribution Division.

Two new and highly challenging roles have recently been created within the small Head Office team responsible for all commercial aspects of the Division. You will be working closely with Divisional line management of both our in-house depots and our contract operations – as well as negotiating with outside contractors and presenting reports to senior management – so you certainly won't be chained to a desk!

In addition to being a qualified accountant with at least 3 years' post qualification experience, preferably in a distribution environment, you will need to demonstrate excellent communication and interpersonal skills.

The rewards for your talent will be substantial: a salary of £28,000 will be augmented by the type of benefits package you would expect from an organisation of our calibre – including a car, and profit sharing after a 2 year period. Prospects for future career development are excellent.

If your ambition matches ours, write now to: Ms B Walmesley, Assistant Personnel Manager, Distribution Division, J Sainsbury plc, Stamford House, Stamford Street, London SE1 9LL.

SAINSBURY'S

HEAD OF FINANCIAL AND MANAGEMENT INFORMATION

City — ***£27,000 + Car + Bonus***

Our client is a leading firm of Lloyd's brokers which is part of a group employing over 3,500 people in the UK. The Group's highly profitable and very successful business is derived from virtually all aspects of international insurance and reinsurance broking. They now wish to make a significant management appointment which reports to the Finance Director of their reinsurance broking company.

This challenging position involves the effective development and maintenance of the financial management reporting and accounting functions, together with the provision of high quality budgetary information to directors.

To be considered for this career opportunity you will be a qualified accountant, ideally aged between 27 and 35, with demonstrable leadership skills and a professional approach, possessing at least one year's post qualification experience in a commercial environment.

For further information please write, fax or telephone in strictest confidence Nicolas Mabin, Divisional Director, quoting ref. CG116153.

MANAGEMENT PERSONNEL
25 City Road, London EC1Y 1AA
Telephone: 01 256 5041 (24 hours)
Fax: 01 374 8848

Management Personnel
RECRUITMENT SOLUTIONS
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An Early Opportunity to Head-up your own Finance Function

KEY MEMBER OF LOCAL MANAGEMENT TEAM

Age 25-29 — **to £30,000 pa plus Car and Benefits**

This is a fairly unique opportunity for the young qualified Accountant who is looking for a Financial Controllership as a next career move.

The Company is an £11m t/o division of a large multi-national FMCG plc, whose prime function is to provide essential services to other member companies within the Group.

The role will be an instrumental part of the Divisional Management team and will report to the Managing Director (with a dotted line responsibility to the Finance function at Group Level).

The responsibilities of the position will include:

- *Development of financial and commercial measures of business effectiveness.*
- Full participation in Divisional Board Meetings, and meetings with Group Customers.
- Provision of full financial control and management information services.
- *Development and motivation of financial team* (7 staff).

You will be a qualified Accountant with strong personal qualities, including an immediate presence and credible presentation skills. Your potential to develop this immediate role and then progress within the organisation in 12-18 months' time is of more importance than your previous experience.

If you feel that you can rise to this challenge you should telephone Karen Wilson, BA, ACMA on 01-491 3431 (0895 633429 evenings/weekends) or write to her at: FMS, 14 Cork Street, London W1X 1PF, enclosing a recent CV and note of current salary.

F M S
Search and Selection Specialists
for
Financial Management

BENDIX LIMITED

Director of Finance

c£35K + Car + Benefits + Bonus
Bristol

Bendix is one of the major air brake and electronic braking systems suppliers to the European commercial vehicle industry - truck and bus. It is a subsidiary of the Automotive Sector of *Allied-Signal Corporation* of the *U.S.A.* with an approximate turnover of £50m.

The Director of Finance will play a key role in the development of the business and will report to the Chief Executive. The specific elements within a wide range of responsibilities will include the control of cash management, the maintenance and enhancement of both financial and management accounting systems, and participation in strategic and financial planning, within a computerised environment.

The successful candidate, aged 35-48 will join an experienced team covering all the needs of the business and will require broad based financial experience and an entrepreneurial flair in a challenging industry. The position requires a high degree of commitment and energy, strong analytical skills and the ability to identify and develop key aspects of the corporate strategy. The ability to operate effectively at a senior level is essential. U.S. reporting experience is desirable.

Please write enclosing full career and salary details, highlighting major achievements to: P.M. James, Director of Personnel, Bendix Ltd, Douglas Road, Kingswood, Bristol BS15 2NL.

Bendix

FINANCIAL CONTROLLER

Property

c£40,000 + car + bonus

Recently established as a major property investment and development company, our client is predicting an exciting future. With substantial funding and a significant portfolio being obtained, the company will become a leader in its sector.

London based, the Financial Controller will be an important member of the management team. The role will be wide ranging with prime responsibilities being the presentation, review and interpretation of management information, financial support in respect of planning decisions and all commercial matters, and the financial management of the property portfolio. The environment will be fast-changing and is likely to become increasingly more complex – the ability to grow with the company is therefore considered an essential quality of the successful applicant.

Aged around 30, applicants should be qualified accountants. Although experience gained in either the property or retail sectors would clearly be advantageous, the company is more concerned with quality and potential.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/817/OF.

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Financial Director

Glasgow — **to £33,000 + car + bonus**

Our client, a group of companies with a turnover of some £50 million and an excellent profit record, is an established supplier to the consumer and civil engineering markets. It forms part of a major international group which is experiencing exceptional growth.

Reporting to the Managing Director, the position will take responsibility for the direction of the financial function. In particular, this will include an input into the policy and strategic planning processes of the group companies, the controls of budgets, periodic accounts and management reports, together with responsibility for the efficiency and development of operational systems, which are all computer based. Close liaison with all operational functions within the group is also necessary.

Applicants for the position should be qualified accountants, aged 30-40, with a minimum of 5 years experience up to senior level within an industrial/commercial environment. Additionally applicants must be able to demonstrate decision making and analytical skills, have proven management ability and be able to cope with the high demands of rapid growth. An excellent package will be offered to the right applicant.

Interested applicants should send a comprehensive curriculum vitae, with salary details, and quoting reference 9617 to:

Peter Childs
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
LONDON EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

EXETER TRUST LIMITED
Assistant to Finance Director

Exeter Trust Limited, a West Country based Commercial Mortgage Bank, is seeking a qualified accountant for the position of Assistant to the Finance Director. The successful candidate, who will be based in Exeter, will be expected to supervise the company's accounting routines and accept responsibility for company secretarial administration and compliance matters.

Applications are invited from candidates who are between 30 to 55 years of age and who can demonstrate suitable post-qualification experience. Knowledge of computerised accounts is essential, and previous experience in banking would be an advantage. Salary will be approximately £25,000 per annum., depending on age and experience, plus other benefits including pension, company car, mortgage subsidy, etc.

Applications and CV's which will be treated in the strictest confidence, should be addressed to **The Finance Director, Exeter Trust Limited, Exeter Trust House, Blackboy Road, Exeter, Devon EX4 6SE**

CORPORATE FINANCE

GRADUATE, QUALIFIED ACCOUNTANTS

£28,000 to £38,000 + PERFORMANCE RELATED BONUS, MORTGAGE SUBSIDY CAR etc.

Since qualifying you may have decided that the qualities of drive, innovation and precision within your personality are not likely to be fully utilised within the profession. You may feel your sphere of influence is limited at present to a factual and tactical basis: that the job lacks incentive to really compete and create. That beyond a certain level the rewards structure is no longer performance-related. Within the corporate finance department of our client this is demonstrably not the case. The department is made up of seven teams each headed by a director; individual and team performance is easily identified.

The client is a leading British Securities House. They handled many of last year's best managed and largest takeovers and defences. Domestically it would be hard to ignore their ability to deliver, they dominate several vital markets. The bank is proactive in all major fields of corporate finance, it offers heavy weight experience, good management discipline and kudos for its staff.

No particular accounting background would be excluded, you may be newly qualified, working in audit, insolvency, special investigations or corporate advisory services etc. Qualities of personality are important: you should enjoy competition and be prepared to innovate and persuade to produce results. Your qualification is adequate proof of precision and the ability to complete a task. A European language would be an advantage.

If this opportunity appeals to you please contact Luci de Nordwall in confidence.

In this case a good first degree and an accountancy qualification are mandatory. The requirements discussed above may appeal to others, for instance, those working in Law, Management Consultancy or perhaps a competing Merchant Bank/Broker: if so, we have a number of alternative briefs that may be suitable.

Recruitment Matters Ltd.
15 Great Eastern Street · London EC2A 3EJ
Fax No. 377 1801
01 - 377 1600

Group Finance Director (Designate)

South Yorkshire **c£28,000 + Car + Benefits**

Our client is a profitable, expanding and innovative £8 million turnover independent group of companies, engaged principally in the design, manufacture and marketing of engineering products. *As market leader in their field, they have built an* enviable reputation for quality and service and are now diversifying into new and related business activities.

Reporting to the Group Managing Director, responsibility will be for all aspects of the finance and company secretarial functions, with emphasis on the further development of the group's management information systems. Operating at Board level, the successful applicant will also be expected to contribute significantly to strategic business planning and the overall commercial management of the group.

Candidates, aged 28-35, will be qualified Chartered Accountants, who can demonstrate a track record of achievement within a large professional firm and subsequently *in a commercial business environment.* Sound technical skills, computer literacy and a "hands-on" participative approach are essential prerequisites for this role. A medium term appointment to the Board is envisaged.

A comprehensive benefits package including a profit related bonus scheme and full relocation facilities is available. Interested applicants should write to Mark Hurley, BSc ACMA, quoting ref: L8467, at Michael Page Finance, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. (Tel: (0532) 450212).

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Career Development Opportunity for Young Accountant
DEPUTY FINANCIAL CONTROLLER

West London **Flex c. £26,000 + Car**

Our client is a well-established market leader whose products and services are clearly focused on a highly commercial business sector. The growth of the company is continuing at a rapid pace both organically and through acquisition.

As Deputy Financial Controller of a major division (T/O £140m) of the company, the value of your financial input and control across the regional operating and manufacturing units will be clearly recognised. You will play a leading role in the development of the Division as a whole and act as a catalyst for the further development of information flows and financial controls through local management and Regional Financial Controllers.

Responsibilities will include:

- Management of the budgeting and monthly management accounting processes.
- Providing relevant, timely and accurate information to Senior Management together with interpretation and analysis of business performance, highlighting plan variances.
- Liaising and assisting Line Management and Operating Business Controllers to improve and develop management information and controls.
- Assisting the Financial Controller with acquisition and other projects.

A graduate, qualified accountant you will have at least *3 years relevant experience* in a high-profile, commercially orientated management accounting role. This must be coupled with the ambition and ability to step into the 'No. 1' slot in the medium term. As well as technical competence you will demonstrate excellent communication skills and the ability to manage change firmly, though sensitively whilst providing fresh ideas and solutions to problems.

You should contact either Chris Munnery or Shirley Knight, enclosing your CV and salary details, at FMS, 14 Cork Street, London W1X 1PE. Tel: 01-491 3431.

F M S
Search and Selection Specialists for Financial Management

Investment Appraisal Manager
Leeds **Up to £23,000**

Royal Mail Letters are seeking an Investment Appraisal Manager who will be responsible for the financial appraisal of major buildings projects in the Northern Buildings and Estates Centre in Leeds.

The successful candidate will be responsible for advising projects staff on the financial aspects of all buildings projects and carrying out financial evaluation of viable options using DCF techniques with the assistance of an investment analyst.

You must be capable of operating at a location remote from your immediate supevisor and should possess strong interpersonal skills enabling you to deal effectively with project staff.

The post would suit a recently qualified accountant or finalist who feels that they have the right qualities to offer. Specific investment appraisal experience is not essential. Some travel will be required.

A competitive salary in the region of £23,000 is offered, depending on qualifications and experience, together with a pension scheme and five weeks holiday. Relocation assistance is available where appropriate.

Please write with full cv to Mrs J Poore, PIR(L)1, Room 282a Post Office Headquarters, 33 Grosvenor Place, London SW1X 1PX.

Closing date for applications is 14 April 1989.

The Post Office is an equal opportunties employer.

Royal Mail

Management Accountant

Berkshire

Salary c £32,500, Plus Financial Services Benefits And Car

PRUDENTIAL
Corporate Pensions

Prudential Corporate Pensions provides a comprehensive range of pensions services to corporate clients. Funds under management currently exceed £8 billion.

This key position within the expanding finance function has arisen amidst a climate of change and re-organisation to meet the needs of an increasingly competitive market.

The successful candidate will assume responsibility for coordination and production of all management accounting information for the Corporate Pensions division, supported by a team of six staff. Working to new and tight deadlines, this will include further development of monthly management information packages as the organisation evolves into discrete business units. This commercial role will involve extensive liaison with line management.

Ideally you will be a qualified accountant, aged 28-35 with proven management accounting, staff management and analytical experience. Personal qualities will include an innovative ambitious personality with impressive interpersonal skills. There are excellent opportunities for career development within one of Britain's largest financial services groups

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to: *B.E. Boylan, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, Fax: 01-734 3738, quoting Ref: K16008/FT.*

Hoggett Bowers
BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

CONFIDENTIAL

GUARANTEED SUCCESS!
CAMBERLEY **£30,000+CAR**

An exciting opportunity for an entrepreneurial accountant to join this successful and professional team and contribute at a senior level to improving the profitability and efficiency of the company.
The successful applicant will demonstrate a 'Hands on' Approach with a proven track record of achievements, preferably within a hi-tech environment—and have the capacity to develop to board level in the medium term.
An excellent remuneration and benefits package is on offer.

For further information contact: Accountancy Personnel, 2nd Floor, 55A High Street, Camberley, Surrey GU15 3RS Tel: 0276 691909

A BANK NOTE FOR ACCOUNTANTS
WC2 **£30,000 PACKAGE**

Firmly established at the Pinnacle of the banking world, this client is now offering the exciting opportunity to join their prestigious operation.
The role lacks the uniformity of many senior accounting positions, an integral part of the job being to develop new costing functions within a rapidly expanding department.
Aged over 30 your qualified status and mastery of cost accounting will secure a position where career development and excellent remuneration is guaranteed.
Ref: CD/C

For further information contact: Accountancy Personnel, 110 The Strand, WC2R 0AA Tel: 01-379 6716

FINANCIAL DIRECTOR DESIGNATE
WEST LONDON **£30—£40,000+PACKAGE**

A major Construction Group require a Financial Controller/Financial Director Designate, to ensure total responsibility for the accounts function. A wide range *of ad hoc projects and investigations* of a financial nature. Responsibilities will include:—full financial reporting at Board level, Management Accounting and development of a financial strategy for future growth including systems development.
For this exciting opportunity you should meet the following requirements:—must be qualified preferred ACA, age to 40 years, with at least 5-10 years commercial PQE. Ref: NCW2.1

For further information contact: Accountancy Personnel, 30/31 The Broadway Ealing W5 2NP Tel: 01-579 6565

Accountancy Personnel
Placing Accountants First
Hays

Accountant/Financial Controller

We are a growing retail company based in Sheffield and aiming for the U.S.M. in 1990. We are now seeking to make a new key appointment to assist in achieving this objective.

You must be a qualified accountant capable of taking the lead in upgrading the accounting systems and refining the financial and management information. You will probably be in your mid/late 20s prepared to dedicate yourself to achieving the highest standard and anxious to take an active role in a young and determined team.

You will probably be bored where you are now.

We are offering a salary of up to £25000 p.a. plus car and an intense environment where you will rapidly see the results of your input.

Please reply to: Robin Silver
BKPT Clothing Co Ltd
19 Charles Street
Sheffield S1 2HS

TAX AND FINANCE SPECIALIST
C.LONDON ***c. £40,000***

Having built up a very strong client portfolio through repeat business, referral and personal recommendations, our client, a highly profitable and expanding financial services company, has created a new position for a Financial Advisor to help them realise further levels of growth.

This role will entail a high quality professional service advising clients on a wide range of taxation and finance issues, both corporate and personal, whilst also seeking out new business opportunities. Since some assignments involve relatively complex work, you will be required to have a good awareness of a broad range of tax issues and current statutory requirements.

In addition to a strong technical background, it is desirable, though not essential, that you be a graduate, aged c.25-35, possessing either a tax, accountancy or law qualification. Certainly, you must have an empathy for the clients' commercial welfare and indeed enjoy maintaining and enriching these business relationships. Contributing to the company's continued success will enable you to enjoy participation in a substantial profit sharing scheme.

For further information please telephone Fiona Davidson on 01-631 0479 or 01-470 0534 (evenings/weekends). Alternatively write to her at Seer Selection Ltd., Marcol House, 293 Regent Street, London W1R 7PD.

SEER
Seer Selection
RECRUITMENT CONSULTANTS

Head of Corporate Finance

PARC, Ireland's leading international management services company is looking for a HEAD OF CORPORATE FINANCE to join its highly skilled management team.

A subsidiary of Aer Lingus, PARC now employs over 1,500 people worldwide in healthcare, aviation, management and consultancy services.

The Head of Corporate Finance will be the senior financial executive in the PARC Group. He or she will report directly to the Group Managing Director and will be responsible for all group financial developments. The successful candidate will be a qualified accountant with considerable financial and commercial experience. International experience would be an advantage but is not essential.

The position is Dublin based but will require considerable overseas travel. The remuneration package will reflect the seniority of this key position.

Your C.V. should be sent, in strictest confidence, to:
David Hanly,
Group Managing Director,
PARC,
St. John's Court,
Swords Road,
Santry,
Dublin 9,
Telephone: (01) 429333

PARC
An Aer Lingus Enterprise

A CHALLENGE TO TAX THE MOST AMBITIOUS ACCOUNTANTS...

Northampton

Widely regarded as one of the most innovative of the post-deregulation Building Societies, Nationwide Anglia has launched into a period of huge growth on a wave of new products and services. New investment products... money market fund raising...retail banking ... estate agency... housing development.... all are being explored and exploited to the full. All these developments will have a tremendous impact on the Group's taxation affairs and as a result the Society is looking to recruit tax professionals to expand its Group Tax Department.

TAX ACCOUNTANTS
c£23k + car + concessionary mortgage

Two recently-qualified Chartered/Certified Accountants or ATII specialists with at least 12 months post-qualification tax experience are required, one to focus on *the Estate Agency network*, the other on the Society and its other subsidiaries. You will be responsible for the preparation and control of all corporation tax, VAT, Income Tax and PAYE computations and Compliance matters and will have considerable scope to investigate and progress tax planning *opportunities*. Your ability to recognise tax-sensitive areas and identify potential problems or areas of non- compliance, together with your solutions, will make a vital contribution to the cause of minimising the Group's liability. With new business developments constantly arising, you begin to appreciate the level of challenge – and satisfaction – involved.

The salaries and benefits are generous and in accordance with the importance of the positions. They include a fully expensed car, concessionary mortgage, bonus scheme, free BUPA and relocation assistance where appropriate.

ASSISTANT TAX ACCOUNTANTS
c£16k + benefits

Two young professionals, qualified or studying for an accountancy or ATII qualification, to assist Tax Accountants in a range of work. These will include *detailed tax analysis of General Ledger accounts*, preparation of detailed working papers and Forms P11D, and quarterly completion of Group VAT returns. The accuracy of your work will be relied upon by Tax Accountants without detailed checks. Other ad hoc projects will frequently arise. This is an execeptional career opportunity with a major force in financial services. The concessionary mortgage will become available after a qualifying period.

The more our organisation diversifies, the more your skills – and prospects – will broaden. Seize the opportunity now by writing with your CV and current salary to:
Richard Wharton, Personnel Administration Manager, Nationwide Anglia Building Society, Chesterfield House, 15-19 Bloomsbury Way, *London* WC1V 6PW.
Closing date for applications 10 April 1989.

We are an Equal Opportunities Employer

Nationwide Anglia Building Society

HIGH-PROFILE APPOINTMENTS WITH A MAJOR MULTINATIONAL

European Headquarters
Hertfordshire

OUR CLIENT is the largest division of a billion pound multinational technology group, specialising in precious metal fabrication and chemical processing. The Directors are seeking to strengthen the finance team by recruiting qualified accountants for two key roles:

European Controller: c.£35,000

Reporting to the Divisional Financial Director, you will make a major contribution to the business strategy and plans, by reviewing and analysing financial and management data from the European Business Units.

In order to achieve this, there will be close liaison with senior business and financial management from several European countries, necessitating a commercial understanding of the business. Overseas meetings therefore, will be an integral part of the job.

A *proven track record of having operated* comprehensive, computer-based financial control and reporting procedures, covering more than one location is essential, and an understanding of foreign exchange exposures and local statutory issues is highly desirable.

Candidates are likely to be over 32 years with a professional accounting qualification and currently holding a senior financial position in industry. The ability to speak one or more foreign languages would be a distinct advantage. Ref: 3153/LAS/FT.

Finance and DP Manager: c.£30,000

This is a senior management position, heading up a complex, centralised multi-disciplined service unit.

You will have overall control and responsibility for running an efficient and effective accounting and data processing department embracing sales ledger, credit control, purchase ledger, cash management, stock control, and all elements of statutory and management accounting.

The role demands an experienced manager with excellent interpersonal skills, who is capable of building a team and inspiring confidence in order to meet tight reporting deadlines.

This position will appeal to qualified accountants aged over 35 years who are well organised, with the capability of adopting a 'hands-on' approach to problem solving when necessary. Ref: 3154/LAS/FT.

Both positions offer a quality car, bonus and excellent benefits. If you are seeking the intellectual challenge of working in a demanding, pressurised environment, and your ambitions match those of this highly visible, expanding group, then please send cv, quoting the appropriate reference and your current salary, to Laura Smith, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060.

PA Consulting Group
HUMAN RESOURCES
Creating Business Advantage
Executive Recruitment · Human Resource Consultancy · Advertising and Communications

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Ideal First Move Into Commerce/Industry

HIGH PROFILE ROLE

Central London — **to £25,000 + F.E. Car**

Further rapid growth in this successful International British Group has created an opportunity for a commercially minded newly/recently qualified accountant.

Our client, whose products are market *leaders in their sectors, operates along* decentralised lines with control over performance exercised by a small Central London Head Office management team.

As part of this young motivated Group Finance Team, in addition to a significant contribution to the Group annual accounting processes, you will be involved in providing a comprehensive accounting service for the UK parent company and several overseas subsidiaries *to include:*

- Monthly and quarterly management accounts.
- Plans, forecasts and budgets.
- Statutory accounts.

The company's open management style encourages wider involvement in financial areas and exposure to systems development and treasury matters.

The likely successful candidate will be an ACA, who in addition to obvious technical ability, has the presence, interpersonal skills and maturity to operate in a fast moving commercial environment. Career development opportunities within the Group, for committed achievers, are exceptional.

Interested individuals should write, enclosing a current CV and salary details, to Shirley Knight BA, ACMA, MBA at FMS, 14 Cork Street, London W1X 1PE. Telephone 01-491 3431.

FMS
Search and Selection Specialists for Financial Management

Financial Controller

London — **£30,000 – £35,000 + Car**

We have been retained by an international corporation in the European Drinks industry. As part of its strategic plan the company is poised to expand its European operations. Linked to this expansion *is the need for an accountant* to develop and manage the finance function.

Reporting to the Managing Director in London, you will be responsible for the implementation and management of accounting systems. Specific tasks will embrace:

* The provision of feasibility studies.
* Budgetary control.
* Maintenance of financial reporting.

You will be a qualified accountant, aged 30-40 with: good computer experience in particular with PC's; familiarity of US accounting principles; and knowledge of international trading procedures. *Confidence, the ability to initiate actions*, a commercial approach and good communication skills, are all essential prerequisites.

If you are interested and meet the above *requirements then please send your curriculum vitae* and daytime telephone number to:
Jon Anderson ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH quoting ref. M124.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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Financial Director

City of London

FCAs 35-45 — **c.£50,000 + Car + Bonus + Benefits**

Our Client is a dynamic and rapidly expanding PLC involved in the provision of software and services to the financial services industry nationally and internationally. The group is seeking a suitably experienced Financial Director to play a key role in the continuing success and development of the company.

The role will cover overall responsibility for all financial services to the board – group statutory financial accounts; group management accounts, budgets, forecasts; treasury, taxation, planning and financial restructuring; systems development, computer modelling; liaison with banks, institutions, professional advisers, investors, and analysts; and involvement in corporate acquisitions/disposals etc.

More importantly, as a Board member the successful applicant will be expected to contribute to the direction and development of the business in the major financial centres.

Candidates (male or female) must have a proven track record as a Financial Director in a fast-growth PLC, not necessarily in a related sector.

For more information, please contact **George Ormrod B.A. (Oxon)** on **01-836 9501** or write with a copy of your C.V. to **Douglas Llambias Associates Limited, 410 Strand, London WC2R 0NS, quoting reference no. 2966.**

DOUGLAS LLAMBIAS

Financial Controller

City — **Salary c£30,000 + benefits**

Our client, a well-respected and expanding professional organisation based in the City of London has a reputation for providing outstanding service to its members. Currently undergoing a period of growth, they have identified the need to appoint a Financial Controller to manage their finance function.

Reporting to the Director of Finance, and liaising closely with the Treasurer, the successful candidate will be responsible for all management and financial reporting, special project accounting and liaison with various external bodies.

Candidates will be qualified accountants who can demonstrate sound commercial experience and practical success in managing the finance area in a computerised environment. You will be self-motivated, organised and have sound EDP exposure. Strong personal attributes are essential to this role and you must be capable of interfacing with non-financial colleagues.

Interested candidates who meet these criteria, should send a detailed CV including current salary, to David Fyles, quoting reference LM 683 at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

ANTONY DUNLOP
ACCOUNTANCY RECRUITMENT CONSULTANTS

FINANCIAL CONTROLLER

(Director Designate)

C £27,500 + car + bonus — **Surbiton, Surrey**

A rapidly expanding Electrical Distributor with a turnover approaching £14 million, seek to appoint a Financial Controller. The Company, an autonomous subsidiary of a major property and investment group distributes electrical kitchen appliances to the building industry. There are five United Kingdom distribution depots, with a soundly based expansion plan already in operation.

Reporting to the Managing Director, you will be responsible for the overall accounting function. You will take charga of an accounts department of 12 staff who will assist you in the production of management and statutory accounts. Your initial task will be to take over and continué the systems development necessary to meet the demands of future growth. Thereafter you will play a key role in the continued expansion of the Company. You will have the chance to prove your ability to become the Finance Director at the earliest opportunity.

Applicents aged between 28-38, must be qualified accountants with post qualifying experience gained in a commercial environment. In addition you should have proven ability in the ongoing development of computer systems. A knowledge of spreadsheets and database software would be helpful.

To apply, please contact Antony Dunlop at Antony Dunlop Ltd, 18 Jermyn Street, London SW1Y 6HP. Tel: 01-439 6171. Curriculum Vitae may be sent by post or facsimile on 01-734 4571. Dr call 0483 756580 evenings only.

LONDON AND AUCKLAND

Financial Director

Thames Valley — **around £50,000 + bonus + car**

As the result of continuing expansion both by internal growth and by acquisition, our clients, one of the principal divisions (t/o £250m) of a major UK based international group, have created the role of Financial Director. Working closely with the Managing Director and assisted by a qualified staff, the successful candidate will play a major role in the division's planned expansion including development into continental Europe. He/she will have particular responsibility for the evaluation of potential acquisitions, the review of capital projects and the day to day responsibility for all aspects of financial control. Applicants will probably be Chartered Accountants, aged 32-37, who have already worked in a similar environment and possess the necessary entrepreneurial skills to succeed in a fast moving organisation. There are exceptional opportunities within the group for career progression. Ref: 2107/FT. Write or telephone for an application form or send full details (with daytime telephone number and current salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

Appointments Advertising appears every

Monday	-	Legal Appointments
Wednesday	-	General Appointments
Thursday	-	Accountancy Appointments

Hoggett Bowers

Divisional Accountant

Leading Financial Services Group
Berkshire, To £28,000, Plus Financial Services Benefits

This new position has arisen within Prudential Corporate Pension division as a result of internal reorganisation to respond to an increasingly competitive marketplace. You will be responsible for the co-ordination and interpretation of monthly management information for divisional business units. You will closely liaise with line management to develop their financial awareness, maintain strict budgetary control and improve efficiency of operation, in order to achieve profit enhancement. The business units are primarily responsible for providing a comprehensive range of pension services to corporate clients. Currently, funds under management exceed £8 billion. The ideal candidate will be aged mid to late 20's, qualified, have proven analytical experience and a strong desire to contribute to the running of the business. Effective interpersonal skills are essential coupled with an ambitious, self-motivated personality. There are excellent opportunities for advancement within one of Britain's largest financial services group.

B.E. Boylan, Accountancy Division, Hoggett Bowers plc, *1/2 Hanover Street,* LONDON, *W1R 9WB*, 01-734 6852, Fax: 01-734 3738, *Ref: K16009/FT.*

Financial Accountant

Engineering
North East, To £24,000

A publicly quoted engineering group with revenues in excess of £20m is seeking a qualified accountant to work within the corporate accounting team. Reporting to the financial director you will be responsible for the preparation and submission of financial reports and forecasts together with involvement in treasury management, working capital control, budgets and business plans. You will be required to liaise closely with both the group and divisional management accountants and also to influence the further development of computerised financial systems. You should be aged under 30, with extensive computerised accounting control experience gained in a manufacturing environment and have demonstrable ability to communicate rapidly your professional interpretation of the prepared information to executives within the group in a manner which will enhance the decision making process. Working within a small corporate team in an atmosphere of constructive change there are clear prospects for rapid career advancement.

R.P.T. Hills, Hoggett Bowers plc, *4 Mosley Street,* NEWCASTLE UPON TYNE, *NE1 1DE*, 091-232 7455, Fax: 091-261 8438, *Ref: N18006/FT.*

These positions are open to male or female candidates. Please send CV or telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

FINANCIAL ACCOUNTANT

CENTRAL LONDON

£25,000 + CAR + BENS

Major publishing group with an impressive growth record now need to strengthen their Head Office Accounting function.

The corporate head-quarters are based in Central London and are responsible for the monitoring of the whole group. Therefore this position requires someone with excellent interpersonal skills and a strong leaning towards man management.

Apart from the obvious day to day financial accounting you would be expected to become increasingly involved in reviewing of acquisitions, disposals and liquidations.

Candidates will be aged 23-30 newly/recently qualified, possibly seeking a first move into Commerce. This is an excellent opportunity for an ambitious individual to gain commercial experience within an aggressive, fast track organisation.

Please contact Sheila Carroll telephone 01-629 8863, fax 01-408 0961 or write to her at the address below.

BOND ACCOUNTANCY
RECRUITMENT CONSULTANTS
BOND HOUSE, 19-20 WOODSTOCK ST, LONDON W1R 1HF Tel: 01-629 8863

Financial Director

SW Essex to £35,000

£75 million turnover high-tech division of major British multi-national manufacturing group seeks a Financial Director/Company Secretary to assume overall responsibility for accounting, information systems and EDP; and to make an important contribution to strategic forward planning. Preferred age 32-45.

Candidates will hold one of the three main accountancy qualifications and have successful experience of the control of a substantial profit centre in an industrial environment. High technical competence, application and powers of leadership are essential qualities. Prospects will not be restricted to this finance function.

For full details write in confidence to W T Agar at JC&P, 104 Marylebone Lane, London W1M 5FU demonstrating your relevance clearly and quoting 2300/FT.

John Courtis & Partners
Search and Selection

FINANCIAL CONTROLLER

Surrey — ***Attractive salary+car***

Our client, an international market leader in the innovation, manufacture and sale of personal protective equipment, is seeking to recruit a Financial Controller.

Reporting to the Financial Director, the Controller will become responsible for a small staff, undertaking management accounting, treasury management, purchase ledger and payroll preparation. The ability to motivate and ensure work is carried out to agreed timescales is essential.

Applicants should be qualified to at least ACA, ACCA, or appropriate level and those younger than 28 are unlikely to have sufficient experience. Candidates should have interfaced with manufacturing processes and have man management experience. The ability to develop and adhere to controls and interface with other departments in a co-operative manner is of importance.

Salary is negotiable and benefits include car, pension scheme, PPP membership and Permanent Health Insurance.

Applicants, male or female, should write to Stern Associates, describing how they match these requirements, or may telephone 01-668 6500 for further information, quoting reference J2357.

Stern Associates,
Highclere House, Highclere Close,
Kenley, Surrey CR2 5JU.
STERN ASSOCIATES
Management Consultancy & Executive Recruitment

IMC Registered Practice

Group Taxation Manager

to £30,000+Car West Midlands
+Financial Services Benefits

You have some 5 years experience as a Tax Specialist – possibly gained as an Accountant, ATII, or as a Graduate H.M. Inspector of Taxes.

This progressive, and rapidly growing £2b financial services organisation can offer you the responsibility, scope and technical challenge your experience demands.

Yours will be a strategic role – developing tax strategies and procedures, managing the tax affairs of an emerging group structure, and analysing the tax implications of business investment decisions.

It's a role offering considerable opportunity for career development.

A salary as stated, together with a wide range of financial services benefits, which include an immediate concessionary mortgage and full relocation assistance – if appropriate – are offered.

In the first instance please write with full career details to: Nigel Bates, FCA, Ref 34045, MSL International, 32 Aybrook Street, London W1M 3JL.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

FINANCIAL CONTROLLER

Highly successful FMCG manufacturer

Greater Manchester £27-30,000 + car

A key feature in this Group of companies' rapid growth has been the highly successful development of their product range, in liaison with leading retailers. Having invested heavily in new production capacity, the company is planning further dramatic expansion. Against this exciting background, the present management team is now looking for a high-calibre Financial Controller.

Working closely with the Managing Director, your role will have a dual focus- further improvement of existing systems and an important input to both commercial and strategic planning. You will be working closely with people at all levels, anticipating problems, contributing ideas. To do this, you will be an energetic and enthusiastic individual, prepared to speak your mind on issues that are important and pursue your objectives with determination. You will get maximum support from the rest of the executive team as well as from your own accounting group.

You will be a qualified accountant with good manufacturing experience and broad technical skills. This is a unique opportunity offering immediate challenge and exciting long-term prospects.

Please contact Dudley Harrop or Julie Meakin at our Manchester Office quoting ref. MX104

ASB
ASB RECRUITMENT LTD
Amethyst House, Spring Gardens
Manchester M2 1EA Tel: 061-834 0618
Fax: 061-832 9123
Also at Liverpool and Leeds
A Division of ASB Barnett Kinnings Plc

Finance Director

Kent c£30,000 + car

This newly created position is within a progressive merchandising company operating throughout the UK. In this competitive and fast moving sector they have an enviable client base and are well placed for future expansion.

Reporting to the Managing Director you will be responsible for all aspects of the finance function and will play a key role in planning the profitable development of the business. An early priority will be to upgrade the quality of management information and to tighten controls over cash management.

Probably in your mid thirties, you should be a qualified accountant with good quality commercial experience. Strong communication and organisational skills are essential and a background in a distribution or manufacturing environment would be an advantage.

Please write in confidence to Gill Atkinson, quoting reference A101, at 2 Bedford Square, London WC1B 3RA (telephone 01-580 4766).

CROSS SELECTION
Recruitment Consultants

FINANCIAL CONTROLLER

Northern Home Counties c £32K + bonus + car

Our client, part of a major international plc, is engaged in the national distribution of a wide range of industrial consumer products through a network of strategically placed depots to some 6,000 customers. The significant contribution which they make to the profitability of the plc is based on high and rapid turnover generating a substantial cash flow, organic growth and a first class service to their customers.

A Financial Controller is sought with substantial management experience in the FMCG sector, a record of solid achievement in terms of obtaining results through the exercise of appropriate financial disciplines and who can demonstrate sound business sense in the context of the totality of a company's operations.

The post will entail the establishment and maintenance of effective financial control systems, particularly with regard to stockholding and turnover and credit management. The successful applicant will possess a formal accountancy qualification and be acquainted with computerised financial systems, but track record and an ability to manage directly and practically are the most important considerations.

The post holder will report to the Managing Director and be an important member of the company's management team. Salary will be supplemented by a performance related bonus, car, private health insurance etc. Prospects for advancement within the plc are excellent with the possibility at a later stage of a general management position and/or of work overseas.

Please send your full cv to Mr. R. C. W. Lamb, LLB., FIPM.

P.E.R.L.
PROSPER
Executive Recruitment Limited
101 The Promenade, Cheltenham, Glos. GL50 1NW

PORTFOLIO

ENTERTAINMENTS GROUP

FINANCIAL CONTROLLER
London to £45,000 + car

▲ YOUNG COMPANY
▲ EXCEPTIONAL OPPORTUNITY
▲ COMMERCIAL ACUMEN

A business-orientated accountant is required for this major leisure company to assist the Finance Director in all financial activities.

Ideally aged 30-35 with previous commercial experience, you must have a bright lively personality coupled with an ability to use initiative and to work on your own.

Contact **Deborah Sherry** on 01-836 9501 or write enclosing CV to **Douglas Llambias Associates, 410 Strand, London WC2R 0NS** ref. FT23A.

PROPERTY GROUP

FINANCE MANAGER
North London £30,000 + car

▲ ENTREPRENEURIAL BUSINESS
▲ DEMANDING ROLE
▲ FAST TRACK ACAs

A highly successful Property Group is seeking a top quality Chartered Accountant to head up the financial reporting function. Applicants should have qualified with a large firm and gained subsequent experience in a major plc. A strong, lively and creative personality is essential to join the management team.

Contact **Pippa Curtis** on 01-836 9501 ref. FT23B.

MAJOR UK BANK

INVESTMENT ANALYSTS
City Package to £30,000

▲ NEWLY QUALIFIED ACAs
▲ LANGUAGES PREFERRED
▲ EXCELLENT PROSPECTS

A rare and exciting opportunity to join a Blue Chip organisation in an analytical role. A small amount of travel to overseas subsidiaries is an attractive feature of the position. French/German/Spanish and Italian speakers preferred although there are also opportunities for non-linguists.

Contact **Peter Green** on 01-836 9501. ref. FT23C.

INVESTMENT BANK

INTERNATIONAL AUDIT MANAGER
City £31,000 + car + bank benefits

▲ EXPERIENCE IN PUBLIC PRACTICE
▲ ATTRACTIVE TRAVEL CONTENT
▲ ALL INVESTMENT PRODUCTS

A British-owned investment Bank requires a Manager for its international Audit Department. The role encompasses responsibility for all areas of the Bank's activities, including Corporate Finance, Treasury, and Dealing, Specialised and Trade Finance and Overseas Operations. Travel content is no more than 25% and concentrates on the world's major financial centres. Full Bank benefits apply from Day 1 of employment.

Contact **Noeleen Gibson** on 01-836 9501 ref. FT23D.

TRADING COMPANY

FINANCIAL DIRECTOR DESIGNATE
London package to £30,000

▲ POTENTIAL STOCK EXCHANGE LISTING
▲ INTERNATIONAL BASE
▲ COMMERCIAL

This food trading company is seeking a strong, self-starter to take on the finance function of the Company. The incumbent will also have a major involvement in the business development of the Group, as it further grows towards acquisitions and a Stock Exchange listing.

Contact **Liz Osborne** on 01-836 9501 ref. FT23E.

FINANCIAL MANAGEMENT CONSULTANCY

London to £38,000 + car

▲ STRATEGIC
▲ INNOVATIVE

Develop new strategies, launch new products and services, improve cost and resource management, assist in making better use of technology, undertake senior level secondments – these are many of the activities you will become involved in, and many others, in this non-routine, non-IT systems orientated consultancy group. If you have superior technical, intellectual and personal skills, evidenced by your track record, you could benefit considerably from a career, or a period, in consultancy. Aged 28-33.

In the first instance please contact **Ian Tomlinson**, enclosing a detailed CV to **Douglas Llambias Associates, 410 Strand, London WC2R 0NS** ref. FT23F

BIRMINGHAM 021-233 4421
EDINBURGH 031-225 7744
GLASGOW 041-226 3101
LONDON 01-836 9501
MANCHESTER 061-236 1553

DOUGLAS LLAMBIAS

EXCELLENCE IS OUR GOAL

Lewisham's Building Works Direct Labour Organisation has been re-shaped and re-oriented to meet the challenges and opportunities of the next decade. Our aim is to provide high quality services responsive to the customers' needs. To succeed we know that we must welcome and encourage constant change and innovation. We have therefore developed our organisation around some thirty key cost and performance centres. Each will operate with a large degree of autonomy in achieving the organisation's corporate and individual goals.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
315	185	Ass. Brit. Ind. Ordinary	316xd	0	10.3	3.3	8.5
310	186	Ass. Brit. Ind. Cuts	310	0	10.0	3.2	-
42	25	Armitage and Rhodes	37	0	-	-	-
57	29	BBB Design Group (USM)	28	0	2.1	7.3	4.5
173	150	Bardon Group (SE)	166	0	2.7	1.6	28.4
117	100	Bardon Group Cv. Pref. (SE)	110	+1	6.7	6.1	-
148	103	Bray Technologies	110	0	5.2	4.7	7.9
114	100	Bremhill Conv. Pref	108	0	11.0	10.2	-
300	246	CCL Group Ordinary	300	0	12.3	4.1	4.5
175	124	CCL Group 11% Conv.Pref	175xd	0	14.7	8.4	
168	129	Carbo Plc (SE)	171	+1	6.1	3.6	14.9
113	100	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	
385	147	George Blair	385xd	0	12.0	3.1	8.5
122	60	Isis Group	121xd	0			15.9
141	87	Jackson Group (SE)	140	0	3.3	2.4	15.5
310	245	Multihouse NV (AmstSE)	310	0	-	-	-
119	40	Robert Jenkins	108	0	7.5	7.5	3.8
430	124	Scruttons	415	0	8.0	1.9	37.7
280	194	Torday & Carlisle	277	+1	7.7	2.8	13.4
280	100	Torday & Carlisle Conv Pref	107	0	10.7	10.0	-
105	56	Trevian Holdings (USM)	100	0	2.7	2.7	10.8
113	100	Unistrut Europe Conv Pref	110	0	8.0	7.3	
385	350	Veterinary Drug Co. Plc	386	+1	22.0	5.7	9.4
370	203	W.S Yeates	340	0	16.2	4.8	65.4

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Jun. 1747/1756 -3	Jun. 2123/2133 N/C	Jun. 2298/2310 +3

Prices taken at 5pm and change is from previous close at 9pm

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday March 30 1989

INSIDE

ICI lorry blast may cost GRE £3.5m

The Peterborough ICI lorry explosion in the UK this month could cost Guardian Royal Exchange, the composite insurer, as much as £3.5m in claims. Sid Hopkins, GRE's deputy chief executive, disclosed the figure as he reported group 1988 pre-tax profits up 45 per cent at £239m. He said the £3.5m represented the sum set aside as a reserve, made up of £750,000 in possible property damage and £2.8m to cover liability claims in respect of the fireman who was killed and the eighty people who were injured. Page 25

High-flying David quits St Gobain

Jacques-Henri David is leaving his post as managing director of St Gobain, the French glass and packaging group, and taking over as chairman of Banque Stern, the merchant bank controlled by Swiss Bank Corporation. His departure from St Gobain causes little surprise, for he had little chance of taking over the top post. But his choice of Banque Stern has surprised some observers, who expected the high-flying David to opt for a major industrial group. Page 20

Ready for the big battalions

Tokai, the sixth largest commercial bank in Japan, is out to prove wrong the accepted wisdom on financial liberalisation. This says that small companies will prosper in specialised corners, so any attack by giants in the industry will fall on medium-sized groups like Tokai — not large enough to compete across a wide range of services. It is, however, a view with which Ryuichi Kato (above), Tokai's outspoken chairman, has little sympathy, writes Stefan Wagstyl. Page 21

Harder times at the coalface of China's export drive

China's coal exports are expected to run out of growing room this year, following last year's 22 per cent rise to 16.3m tonnes. With the principal restricting factors being soaring domestic consumption and severe transport problems, the main casualties are likely to be the short-term contracts the country has with European customers. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
D. Babcock	188.5	+	1.8	Eaux DS	60	+	28
Karstadt	425	+	8	Lab.R.Bellon	1959	+	172
Man	280.8	+	2.8	**Falls**			
VW	344.7	+	3.2	Comptoir Ent.	218.1	−	6.6
Falls				Damart Lable	922	−	71
Conti-Gummi	250.5	−	3.5	Essilor	1670	−	47
Schering	591	−	5.5	Penhoet	404.5	−	10.2
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Nashua Corp.	38⅝	+	1⅛	Aida Eng.	1250	+	150
Oracle Systems	24	+	1⅝	Hitachi Plant	1150	+	140
Sun Elect.	19¾	+	1⅝	Tobishima	1580	+	180
Unisys	25⅞	+	¾	Yokowo Mfg.	1700	+	150
Falls				**Falls**			
NWA	68⅛	−	2⅛	Aichi Tokei	1220	−	200
Stuarts Dept.	3⅞	−	1	Ishii Iron	1200	−	70

New York prices at 12.30.

LONDON (Pence)							
Rises				Unitech	314	+	5
BAT Inds.	584	+	9	**Falls**			
BICC	501	+	8	Brown (N.)	172	−	8
Calor Grp.	386	+	8	Hawker Siddeley	661	−	11
Cater Allen	403	+	13	Marley	180	−	4
ESC	223	+	18	Saatchi & S.	264	−	7
GUS A	1022	+	11	Slough Estates	328	−	18
Hall Eng.	307	+	22	Utd. Newspapers			
Keep Tst.	353	+	40		498	−	7
Magnet	309	+	20	WPP Grp.	683	−	7
RHM	394	+	8				
Unigate	347	+	7				

Compound growth in European advertising expenditure 1980-87

	Expenditure 1987 ($m)	Average growth* current prices		Expenditure 1987 ($m)	Average growth* current prices
UK	9456.9	+12.4%	Belgium	896.4	+10.7%
W.Germany	8835.8	+5.2%	Norway	757.0	+12.8%
France	5926.2	+15.1%	Denmark	732.1	+8.3%
Italy	4170.6	+23.5%	Austria	645.7	+8.3%
Spain	3345.9	+25.5%	Greece	223.4	+31.9%
Netherland	2357.8	+5.0%	Turkey	208.2	+54.2%
Switzerland	1836.3	+8.7%	Ireland	194.4	+10.4%
Finland	1254.6	+14.8%	Portugal	161.6	+36.0%
Sweden	1241.0	+13.0%	TOTAL	42234.2	

* Growth in local currency terms

Source: Advertising Association/James Capel

Ad agencies are sold on Europe

Nikki Tait looks at BDDP's £103m bid for Boase Massimi Pollitt

Whatever punches the UK advertising agency Boase Massimi Pollitt throws at its aggressive French predator, BDDP, it cannot accuse the latter's chief executive, Mr Jean-Claude Boulet, of hurrying into hostile action.

News that the smaller French agency, which ranks fifth in its domestic market, is making a hostile £103m bid for the medium-sized British group, follows three weeks of fairly public shadow-boxing.

It also follows months of off-on discussions between the groups. Various talks took place last year — the last in December — although BMP maintains that throughout this exploratory process, it envisaged being the dominant partner.

It is easy to see why Mr Boulet did not rush to turn the tables. Hostile takeovers have traditionally been decried in the agency sector on the grounds that, in a "people business", the main assets could walk out the door in the face of a non-agreed deal.

True, Mr Martin Sorrell's WPP Group broke that taboo when it won control of the JWT Group, the large US agency and marketing services group, in 1987. But many involved in the sector believe that the two cases are far from comparable.

JWT's main advertising agency was J. Walter Thompson, almost 125 years old at the time of the takeover and beset by boardroom rifts, dwindling profitability and account losses.

BMP, by contrast, is a "first generation" business, founded in 1968, with staff and directors holding about 20 per cent of the equity.

Moreover, there was a cautionary lesson in the JWT bid. While the subsequent tale at J. Walter Thompson itself has been broadly happy, there were severe problems with Lord, Geller, Federico Einstein, a much smaller, younger US agency in the JWT group. Here, key executives did quit and the major IBM account — accounting for about half the business — was lost.

So why, in the face of conventional wisdom, is Mr Boulet such a determined suitor?

The answer has a good deal to do with two significant trends within the advertising industry. On the one hand, there is a widespread realisation that clients are increasingly inclined to demand pan-European/US coverage from their selected agencies, and that to claim a place on pitch lists companies must be able to serve customers in a range of markets.

For example, Young & Rubicam Europe — which claims to be the largest of the US agencies in Europe — maintains that "multinational" accounts (those awarded for more than one market) show a four-fold increase over the past five years.

And yesterday, Mr Boulet cited the case of Michelin, the French tyre group, which became a domestic client four years ago but suggested it might have to review the business if BDDP could not offer broader coverage.

Mr Boulet admits: "In one sense it's survival. If you can't say to clients that you have coverage, you are in danger of losing them."

Analysts tend to agree and one said: "I think we'll see growing concentration in a small number of hands, with perhaps some niche players remaining in the domestic markets. The middle ground is dangerous."

There is, however, an obvious stumbling block. Many of the US groups, and indeed some of the larger UK companies, have already snapped up the most suitable candidates.

Related to this, and to an extent fuelling the scramble, is a general appreciation that Europe represents a higher growth area in terms of advertising spending

This can be put down to the combined effects of 1992 harmonisation and the openings presented by satellite broadcasting.

As the London stockbroker James Capel pointed out in its recent analysis of the global advertising market, "The introduction of DBS [direct broadcasting by satellite] and the move towards the single European market in 1992 has focused the attention of advertisers and agencies alike on Europe as a key growth market."

Forecast changes in advertising spending in 1989 vary considerably between different European countries, but run as high as 25 per cent in Spain and reach 11, 12.2 and 14 per cent in the UK, France and Italy respectively. Only West Germany spoils the picture at perhaps 4.5 per cent, but even here most agree that the longer-term potential is significant as satellite broadcasting opens up the TV possibilities.

In fact, on the principle of broad coverage, BMP and BDDP have little quarrel — hence their original discussions. BMP, moreover, has been talking of European expansion itself for months, even years. It stressed that this would be the next step when it acquired the US agency Ammirati and Puris in 1987 and re-emphasised the intention following the purchase of Davidson Pearce in the UK last year.

What chairman Mr Martin Boase disputes is that a link-up with BDDP would achieve the European spread which BMP is seeking.

BMP, he adds, is still having discussions with other potential partners, although he suggests that these may be put on hold while the BDDP bid clouds the picture. To this is added the second — and, some analysts suspect, no less significant — objection that "temperamental differences" exist between the two groups.

On the former score, Mr Boulet estimates that the merged group's business would be split 40 per cent UK, 25 per cent France, 20 per cent US, and 15 per cent for the rest of Europe.

But he is quick to stress that, from this enlarged base, the other European markets would be a growth area.

For shareholders, however, the industry arguments may be less important than those of price. BDDP, after all, is an unquoted company and the offer is in cash.

With BMP's year-end this week, and the possibility of a profit forecast in the course of the offer, analysts tended to regard yesterday's terms as a sighting shot. Forecasts were generally downgraded at the interim stage, but currently stand at around £12.5m (including a £1m pension fund benefit) for the current year and perhaps £15m-£15.5m for 1989/90.

On the latter figure, the prospective multiple is under 11 times. While the sector may have been depressed by Saatchi & Saatchi's profits warning last week, at least one analyst was willing to suggest that an offer around the 350p mark might be more suitable.

Whether higher terms might buy a more placatory attitude from the BMP board, and how much leeway Mr Boulet's banking backers would be inclined to provide, remain unanswered questions. But yesterday's modest 4p rise in the BMP price to 308p seemed to suggest that a fair degree of scepticism still persists. Europeanism, perhaps, does not come cheap.

US seizes 20 MCorp banks

By Anatole Kaletsky in New York

US GOVERNMENT regulators yesterday forcibly took control of most of the banks belonging to MCorp, the biggest independent bank holding company in Texas.

MCorp had announced on Monday that it would seek protection from creditors under Chapter 11 of the US bankruptcy code. The regulators' action appeared to be a pre-emptive step designed to avert a panic by depositors and strengthen the government's claim on MCorp's remaining assets in the potentially controversial and precedent-setting bankruptcy action which lies ahead.

The Federal Deposit Insurance Corporation said that it had sent its officials to seize the assets in 20 of the 25 banks operating under the MCorp umbrella late on Tuesday night, after a declaration by the Comptroller of the Currency that they were technically insolvent.

The banks, which included MBank of Dallas and MBank of Houston, the two flagship institutions of the group, reopened their doors at the usual time yesterday morning after being reincorporated as a new government-owned bank, called Deposit Insurance Bridge Bank.

The banks taken over by the FDIC had assets of about $15.4bn and deposits of $11.6bn. The FDIC said it would honour all deposits and unsubordinated general obligations in 19 of these 20 banks, including deposits above the legally-binding insurance limit of $100,000.

However, at MBank of Abilene, one of the smallest subsidiaries with total deposits of $205.7m, deposits would be honoured only up to the insurance limit and general creditors would have to share their claims pro rata with the FDIC. The agency would not immediately explain why the Abilene bank's uninsured depositors and creditors had been singled out for this unusually harsh treatment.

After the seizures, MCorp was left in control of five small banks with combined assets of about $3bn. MCorp said that, after its bankruptcy proceedings were completed, it hoped to reorganise itself into a going concern around the "solid healthy core" provided by these five banks and its investment subsidiary, MTrust.

Yesterday's action by the FDIC, however, promised to turn the bankruptcy hearings into a complex and unprecedented legal examination of some of the crucial principles underlying US bank regulation and depositor protection.

The main disputes will be over the rights to roughly $400m of liquid assets which currently belong to MCorp, the holding company.

The US authorities have always insisted that bank holding companies must use up all their available assets before FDIC money is committed to support their troubled subsidiaries. But this approach has been challenged in this case, first by MCorp's own management, and more recently by a group of dissident bondholders, who have applied to the courts for the company's involuntary liquidation.

WPP makes unusual offer for Millward

By Nikki Tait in London

WPP, the UK-based advertising and marketing services group, is making an unusually structured bid for Millward Brown, the market research company.

The novel feature in the recommended bid is that shareholders are offered the chance to take 183p a share in cash immediately and up to a further 221p if Millward meets certain profit targets over the five years to March 1994.

Such "earnouts" have been employed in the acquisition of private companies, often in "people" sectors like agencies and financial services. However, this is believed to be the first time that the formula has been used for a company with shares quoted on the main market or - as in Millward Brown's case - the Unlisted Securities Market.

WPP is, however, also offering a cash alternative of 200p, with a loan note alternative. The cash offer values Millward Brown at £14.1m ($23.8m) and the earnout alternative at up to £28.4m.

In the earnout option, the 183p can be taken in any combination of cash, loan notes, and (subject to a maximum of 63p a share) convertible loan notes. The latter payments will be made half in loan notes and half in shares.

Yesterday, Samuel Montagu, advising WPP, said Millward's circumstances had prompted the novel structure. About 63 per cent is owned by directors and senior employees, and it was felt that an earnout had the benefit of providing management incentives and of retaining staff. Almost all have said they will take the earnout option.

To gain the maximum payments, Millward Brown must achieve compound annual growth in after-tax profits of about 20 per cent per annum.

Directors launch £629m bid for Magnet

By David Waller in London

Mr Tom Duxbury, chairman of Magnet, and two fellow directors yesterday launched their long-awaited buy-out bid for the UK manufacturer and retailer of kitchen furniture. They are offering 300p in cash for the company's ordinary shares.

Together with a separate offer for convertible shares, the bid values Magnet at £629.3m ($1.06bn). Shareholders are also being offered a 16 per cent interest in an off-the-shelf company used as the bid vehicle.

According to estimates made by the management team, this could add another 31p to the value of the offer.

Magnet's shares rose 20p to 309p, reflecting the possibility that a third party could step in with a hostile bid. The offer from the management is final.

The offer won the equivocal recommendation of Kleinwort Benson, financial adviser to Magnet, the company, as opposed to its directors, and the qualified approval of Magnet's two non-executive directors, Mr Brian Haggas and Mr David Malpas.

In its carefully worded endorsement, Kleinwort warned that the bid "may not fully reflect the possible growth prospects of Magnet and therefore may not offer an appropriate premium for control."

However, it advised that — in the light of the risks attaching to the business, the overall business climate and Magnet's management style — shareholders "should give serious consideration to accepting the offer."

The independent directors urged that "in the circumstances and in the absence of a higher offer for Magnet from a third party", shareholders should accept the bid.

Kleinwort said the bid was not pitched at a "knock-out" price and a third party could hypothetically be willing to pay a greater premium for control. The cash offer represented an exit multiple of 15.9 times earnings for the year to March 31 1988, in which Magnet made pre-tax profits of £57.5m.

However, it was satisfied that the buy-out team could not pay a higher price, and if the bid had not been recommended, it would not have been made at all.

The two other directors in the buy-out team, advised by Bankers Trust International, are Mr Albert King and Mr Matthew Ingle, finance director and retail director respectively.

Other directors and Magnet's 4,000 employees, will be given the opportunity to buy equity in the new company. Further details, including a profits forecast for the current year, will be sent to shareholders next week.

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Minorco in $100m court proposal

By Kenneth Gooding, Mining Correspondent

MINORCO, the South African-controlled investment group, has offered to post a $100m (£59m) bond with a US court as part of its attempts to have removed an injunction which prevents it buying any more shares in Consolidated Gold Fields, the diversified UK mining group for which it has made a hostile £3.2bn bid.

Under the terms offered by Minorco, it would have to sell Gold Fields' substantial shareholdings in Newmont Mining, the US gold producer, and Renison Consolidated, the Australian gold and minerals group, within a year, or forfeit the $100m. Minorco offered an undertaking not to sell the stakes to any organisation connected with Anglo American Corporation, one of its controlling shareholders.

Minorco made its offer in a letter to Judge Michael Mukasey, who imposed the injunction on the grounds that a merger between Minorco and Gold Fields would give the Anglo American group control of 32.3 per cent of the non-communist world's gold output.

In recent US appeal court hearings, it was suggested Anglo, via Minorco, would curtail the activities of both Newmont, 49 per cent owned by Gold Fields, and the UK group's wholly-owned American subsidiary, Gold Fields Mining Corporation, to benefit its South African gold business.

Mr Roger Phillimore, Minorco's commercial director, yesterday said the allegations "clearly demonstrate the desperate lengths to which the Gold Fields' board is prepared to go to prevent their shareholders benefiting from our offer."

Separately, Gold Fields promised "new information on the current performance of the company and the directors' confidence in its future" by April 5, the last day on which it is permitted to introduce fresh information.

However, the chances of this providing Minorco with an incentive for a higher bid by the latest permissible date — April 12 — seem limited. Mr Rudolph Agnew, Gold Fields' chairman, again rules out any asset valuation by his board.

Ascom to raise payout and offer rights issue

By William Dullforce in Geneva

ASCOM, the Swiss telecommunications group, said yesterday that it planned to raise its 1988 dividend by 2 points to 14 per cent and to offer shareholders a one-for-four rights issue.

Created in 1987 by the merger of the Hasler and Autophon companies, Ascom had a turnover in 1988 of SFr2.39bn ($1.45bn), up 11 per cent on the previous year.

The group will disclose its profits for the year on May 29. It said, however, that the initial results indicated a greater percentage increase in earnings than in sales.

In 1987, when profits were dented by merger costs, the group posted a consolidated net profit of SFr41m and a cash flow of SFr198m.

Ascom Holding, the parent company, is switching to a calendar year instead of closing its annual accounts on June 30.

For the last financial year, the company paid dividends of SFr60 per share and SFr12 for each participation certificate.

Deutsche Bank parent income rises by 94%

DEUTSCHE Bank's parent bank net income rose 94 per cent in 1988 to Dm825.4m ($437.4m) from Dm425.4m in 1987, AP-DJ reports.

The bank, West Germany's largest, did not disclose net income but said that it will distribute Dm425.4m in the form of a share dividend of Dm12 for 1988, the same as that for the previous year.

Additionally, Dm400m would go into retained earnings, the bank said.

Bankers in Frankfurt, familiar with the Deutsche Bank data, said that the rise in group net income is likely to be at a similar rate to that of the parent's net income.

Group net income fell 37 per cent to Dm670 in the previous year.

Full group results are expected today.

Volvo moves into property with Swedish pension funds

By Robert Taylor in Stockholm

VOLVO, the Swedish motor, foods and energy group, plans to move into the international property business through the creation of an investment company in partnership with several leading Swedish pension funds and insurance companies.

Announcing the outlines of the plan yesterday, Volvo said the aim was to establish a major property company with assets totalling some SKr13bn ($2bn), of which about SKr10bn would represent the new company's international interests.

The development follows Sweden's relaxation in January of controls on property investment outside the country. At some point, a stock market listing will be considered.

Volvo intends to transfer its Swedish properties valued at SKr3bn to the enterprise and take a 25 per cent stake. The other partners, which will each have an 18.5 per cent interest, are AP Fonden, the Swedish pension insurance fund; two Swedish state pension insurance funds; SPP/AMF, the Swedish staff pension society and labour market insurance company; the Swedish Investment Bank; and the Wasa Life Insurance company.

Volvo said it believed that a joint venture with the pension funds and insurance companies would enable the business to benefit from wider managerial expertise.

The new joint company is a further indication of Volvo's wider European strategy.

At the start of the year, Volvo established a new financial organisation in the Netherlands responsible for the group's long-term borrowing on the international market. The new arm also provides finance for operating capital in Volvo's European subsidiaries.

Cariplo lifts net profit 13.2%

By Alan Friedman in Milan

CARIPLO, Italy's leading savings bank, yesterday unveiled a 13.2 per cent rise in its 1988 group net profit to L240bn ($172.8m) and claimed that at the gross operating level it was the most profitable bank in Italy last year.

The Milan-based bank's gross profit for 1988 was L1,411bn ($1.01bn), an improvement of 2.3 per cent.

Mr Robert Mazzotta, chairman, said that he is hoping to reach a "collaboration" agreement with a British-based investment bank in the next few months.

"We want to expand our London presence and develop our capital markets activity," Mr Mazzotta explained. Cariplo planned to acquire a minority stake in the so-far unnamed UK institution.

Mr Mazzotta also said that Cariplo plans to enter the life insurance sector before the end of this year.

Cariplo said its total assets rose by 13.1 per cent last year and amounted to L90,113bn. The bank's deposits increased by 12.6 per cent to L54,617bn, while its loan book was 10 per cent larger at L54,754bn. Cariplo has 441 branches in Italy and 11,130 employees.

● Euromobiliare, the Milan investment bank that is 45 per cent owned by Midland Bank of the UK, yesterday disclosed a L4.2bn loss for the six months ended 1988. The deficit, which was significantly larger than the L2.9bn loss in the same period of 1987, was attributed to writedowns on Italian government securities, which were treated as an extraordinary item.

Mr Guido Roberto Vitale, managing director, said Euromobiliare was in profit at the operating level. The bank is expected to report a break-even result for the full year ending this June.

● La Rinascente, the big department store group, reports slightly lower net profits for 1988. Net earnings dipped to L70.1bn from L74.1bn in 1977 but the company is paying an unchanged L210 a share dividend. Sales for last year totalled L2,940bn, up from L2,710bn.

BSN leaps 41% to over FFr2bn

By George Graham in Paris

BSN, the leading French foods group, has reported a 41 per cent increase in net profits last year to FFr2.189bn (US$342m).

Total operating profits rose 36 per cent to FFr4.49bn, while operating profits from the main dairy products division – including BSN's world-leading Gervais and Danone yoghurt brands – recovered strongly after a decline in 1987 by rising 56 per cent to FFr834m.

The most profitable division, however, remained grocery products – operating profits rose 15 per cent to FFr1.02bn.

The biscuits division also improved earnings by 8 per cent to FFr718m, while beer rose 15 per cent to FFr606m, and champagne and mineral waters recorded a 12 per cent rise to FFr525m.

Meanwhile the packaging division gained 36 per cent to FFr560m.

BSN has continued its rapid expansion in Europe, most recently with the L412bn (US$297m) acquisition of 35 per cent of Star, the Italian broth cubes and tomato sauces company.

Last year's purchases included the HP and Lea and Perrins sauce businesses in the UK, and the Soparind jams business in France.

Mr Antoine Riboud, BSN's 70-year-old chairman, has also reshuffled the group's management structure, appointing Mr Georges Lecallier to the positions of vice chairman and chief executive.

Lafarge returns all divisions to the black

By George Graham in Paris

LAFARGE Coppée, the leading French cement group, has reported a 23 per cent increase in net profits last year to FFr1.88bn ($295m), on sales up 19 per cent to FFr22.68bn.

With the return of the group's biotechnology activities to profit after losses of FFr51m in 1987, all Lafarge's divisions are now in the black, the group said.

Lafarge gained market share in France and North America in its main cement activities, and claims to rank third in the world with total sales of 27m tonnes, up 4 per cent from 1987.

Lafarge Corp, the 58 per cent owned US subsidiary, increased profits by 25 per cent to $93.5m. It continued to develop, especially in the Great Lakes region. The group gained market share in concrete, with 9.8m cu m sold, and in granulates, with 52.4m tonnes, both by increasing its market penetration and through acquisitions.

Biotechnology activities, after two difficult years, recovered. Orsan, which specialises in production of glutamates and lysine, expanded its capacity. Lafarge said that the launch of a new amino acid, threonine, was promising. And the turn-round of the seeds division continued.

The results are slightly higher than stockbrokers' expectations – most analysts underestimated the gain in sales volume.

Consob makes accounts ruling

CONSOB, the Italian stock market regulatory authority, has asked 13 companies quoted on the Milan bourse to provide consolidated balance sheets for 1988, writes Alan Friedman.

The companies include Pirelli, Ferruzzi Finanziaria, Stefanel and the Fabbri-Bompiani publishing subsidiary of IFI, the Agnelli family holding group. All are believed to have already committed themselves to producing the balance sheets.

French high flier to join Swiss banking group

By George Graham in Paris

MR JACQUES-HENRI DAVID, managing director of St Gobain, is to leave the French glass and packaging group to take over as chairman of Banque Stern, the merchant bank now controlled by Swiss Bank Corporation.

Mr David's departure from St Gobain causes little surprise. As number two to Mr Jean-Louis Beffa, the chairman and chief executive who is only two years older than him, Mr David had little chance of taking over the top post and was expected sooner or later to move.

The choice of Banque Stern, however, has surprised some observers, who expected the high-flying Mr David to opt for a major industrial group. Banque Stern, previously a small family-owned bank but now controlled by SBC, has developed a tradition of picking top-level, though sometimes short-lived, chairmen.

After Mr Claude Pierre-Brossolette, former chairman of the nationalised Credit Lyonnais bank and now managing director of the Worms financial group, Stern picked np Mr Jean Peyrelevade, named to the chairmanship of Compagnie Financière de Suez by the Socialist Government and then ousted when the right returned to office in 1986.

When the Left came back to power last year, Mr Peyrelevade was made chairman of the state insurance giant, Union des Assurances de Paris. In his place Stern selected Mr Philippe Jaffré, who had been the engineer of the right-wing Government's privatisation programme. Mr Jaffré's spell at Stern was short as he rapidly moved on to become chief executive of the Credit Agricole mutual banking group.

SBC, which has also taken control of Ducatel Duval, the French stockbroker, bought a 51 per cent stake in the bank from the Stern family in January 1988, and is gradually increasing its stake to 80 per cent.

Mr Edouard Stern, besides remaining a shareholder, is still a managing director of the bank that bears his name, alongside Mr Michel Garbolino, who has held the fort under Stern's succession of chairmen.

Repeated rumours that Mr Stern might move to Lazard Frères, the leading French merchant bank headed by his father-in-law, Mr Michel David-Weill, have not so far proved founded.

Mr Georges Blum, chief executive of SBC, said recently that Banque Stern in 1988 had topped its 1987 earnings, which totalled FFr135m ($21.1m) after tax. He said that the bank now headed the group of French merchant banks ranking just behind Lazard, still the unquestioned leader in its market segment.

Mr David had a career at the Bank of France and the Finance Ministry behind him before joining St Gobain as finance director in 1984.

He is also the author of a number of books on international monetary policy. Credited with a leading role in the glass group's successful privatisation in 1986, he also took a major part in the string of acquisitions St Gobain has carried out in the last 12 months.

This experience of mergers and acquisitions work is expected to stand Mr David in good stead at Stern, which has rapidly developed its activity in this sector.

St Gobain has asked Mr David to remain a member of its international strategy board, as well as of the board of CertainTeed, its US subsidiary.

Austrian banks results mixed

By Judy Dempsey in Vienna

AUSTRIA'S LEADING banks closed 1988 with stronger balance sheets and steady growth in cashflow, but in some cases profits grew at a disappointingly slow rate owing to provisions for international investments and poor results from industrial affiliates.

This was the case with Creditanstalt-Bankverein, the country's largest bank, which is 54.5 per cent majority owned by the state. It recorded an increase of 20 per cent in partial operating results which totalled Sch1.9bn ($143.4m) for 1988, while its balance sheet increased by 4.4 per cent to Sch405.4bn.

However, the comparatively smaller after-tax profits of Sch1.02bn (before the distribution of dividends and allocation of reserves) were expected since the bank continues to prop np Steyr-Daimler-Puch, its loss-making industrial subsidiary. It plans again to pay a 12 per cent dividend.

Girozentrale, the second largest bank whose business is concentrated on financing, not on retail banking, recorded a 2 per cent rise in partial operating results which amounted to Sch1.09bn while its balance sheet total rose by 3.9 per cent to Sch287.13bn. Profits (before the distribution of dividends) increased by 15.6 per cent to Sch889.08m.

Mr Gerhard Wagner, the chairman of Laenderbank, last week described its 1988 results as "satisfactory." The bank's balance sheet total rose by 3.9 per cent to Sch218.86bn and profits increased a further 10.2 per cent to Sch754.2m. Partial operating results grew 15.8 per cent to Sch690.2m. Bank fuer Arbeit und Wirtschaft (BAWAG), the trade union bank which attracts many small savers, achieved a balance sheet total of Sch185.7bn, up from Sch178.9bn. The bank's partial operating results rose by 41 per cent to Sch1,081bn.

Die Erste, after making large profits over the past two years, is settling down to more modest results. Its balance sheet total rose by 5.4 per cent to Sch143.7bn while partial operating results improved by 1 per cent to Sch652.7m.

From the results so far, two trends seem to be emerging. The first is that all the banks are strengthening their capital-to-asset ratios. Secondly, more of bank assets are now coming from international business.

INTERNATIONAL COMPANIES AND FINANCE

Tokai thinks big on deregulation

Stefan Wagstyl on a Japanese bank's fight against larger rivals

The accepted wisdom in Japan is that the biggest financial companies will be the greatest beneficiaries of liberalisation. Deregulation, it is widely believed, will allow the giants of the industry to squeeze steadily their smaller banking rivals.

Small companies will continue to prosper in specialised corners, so the brunt of the giants' attack will fall on medium-sized groups too small to compete across e wide range of services and too large to hide in a niche.

Tokai Bank, the sixth largest Japanese "city" (commercial) bank, begs to differ. Mr Ryuichi Kato, the outspoken chairman of the Nagoya-based group, says he feels at no disadvantage to the five larger banks. "Certainly there are bigger banks in Japan. But there are also many smaller banks. We don't have to work harder than the others."

By international standards, Tokai is hardly small, or even medium-sized. Last year it was the ninth largest in the world in terms of deposits.

But by Japanese standards, Tokai is well behind the leading city banks. As of September last year, it was sixth largest in terms of assets with Y28,395bn ($213.4bn), against Y45,048 for fifth-placed Sanwa Bank and Y52,282 for Dai-Ichi Kangyo Bank (DKB), the largest. Profits tell the same story – Tokai in the year to March 1988 made Y154bn pre-tax, against Y264bn for Sanwa and Y295bn for DKB.

Rivalries among these institutions have long been fierce, partly because the industry publishes detailed league tables twice a year of the banks' performances. But until the authorities began to liberalise Japan's financial markets in the 1980s, competition was kept in check by the powerful Ministry of Finance, which decides everything down to the size of advertising boards at bank branches.

Deregulation has steadily promoted competition, as banks have been allowed to compete on an increasing range of services. Crédit Suisse Investment Advisory, a Tokyo-based affiliate of Crédit Suisse, says that the differences are widening between the capabilities of the top five and of other leading commercial banks.

Tokai could be particularly vulnerable because it is based outside Tokyo. The concentration of wealth and talent in the capital has grown this decade, so non-Tokyo banks such as Tokai have had to fight to build bridgeheads in the fiercely competitive Tokyo region. Tokai is not alone – the Sumitomo and Sanwa banks, both in the top five, are based in Osaka.

Tokai has some impressive counter-arguments to the popular view that deregulation will allow the biggest banks to dominate the Japanese market.

'Certainly there are bigger banks in Japan. But there are also many smaller banks. We don't have to work harder than the others'

Like the largest banks, it has had no trouble raising new funds to boost its capital to meet new international standards for capital adequacy laid down by the Bank for International Settlements. In the financial year ending this month, Tokai has raised some Y230bn in new equity and convertible bonds.

It is unassailable in its home territory of Nagoya and its hinterland, holding some 40 per cent of all bank deposits in the region. Corporate customers include Toyota, Japan's largest car maker, which is also the bank's biggest shareholder with 5.3 per cent of the equity.

Tokai is at the centre of a loosely affiliated group of companies which encompasses

Ryuichi Kato: ready to lead Tokai into the freer market

Chuo Trust & Banking, Chiyoda Life, a life assurer, and Toyo Menka, a trading company. But these alliances are weaker than for most other leading banks.

Mr Kato says that this gives Tokai a sense of independence, although critics say that instead it exposes Tokai to Toyota's influence. Together, Toyota and Tokai are the Nagoya region's economic heart.

The importance of this base is wider than it seems. As Japanese industry becomes more international, so more companies require international banking services. Tokai estimates that about a third of its international business comes from Nagoya-based companies. One of its most active foreign centres is in Lexington, Kentucky, centre of Toyota's US operations.

As for Tokyo, Tokai has long tried to compensate for its weakness in the region by expanding its network. Of 276 branches, 75 are now in Tokyo and its surrounding area.

An opportunity to acquire more might come when the fate of troubled Dai-Ichi Sogo Bank is decided. Dai-Ichi Sogo was put under the control of the Ministry of Finance this year after it ran into difficulties over its loans to property companies. It is now being run by a committee that includes representatives of four banks – Fuji, Sanwa, Taiyo Kobe and Tokai.

All are interested in buying Dai-Ichi Sogo's 42-branch network, should the ministry allow it. Mr Kato says that nothing has been decided, but Tokai is considering an acquisition plan.

Plans to expand further in Tokyo indicate Tokai's determination to stay in the same race as the top city banks. The same is suggested by its wide-ranging effort to build up new businesses, especially in international fields and in capital markets.

It has moved the headquarters of its international operations from Nagoya to Tokyo. It has developed specialised knowledge – for example in leasing, an important business for a bank with many machine tool makers among its customers, since industrial equipment is often leased. Last year, Tokai beefed up its leasing business with the $120m acquisition of Master Lease, a US company.

Nevertheless, in profits from international business, Tokai lags the top five banks by a similar margin as in overall profits. In foreign exchange it is further behind – perhaps a sign of the disadvantage of being based in Nagoya when the market is in Tokyo.

As for securities, the bank faces the same obstacle as other Japanese banks – regulatory barriers which prevent banks entering the preserve of the securities companies. Also, securities can be a tricky business. In the year ending this month Tokai will have lost money on bond dealing – the first time this has happened to a city bank.

Mr Kato says that he wants Tokai to become a universal bank, active in both banking and securities. But he adds that the emphasis in the future should be in developing retail rather than wholesale business. He wants the bank to keep its banking roots, despite all the changes in the industry.

INTL. APPOINTMENTS

Enimont chemicals combine names international chief

THE Milan-based Enimont, one of the largest chemical concerns in the world, has appointed Mr Mario Artali president of Enimont International, the Zurich offshoot responsible for the group's international activities.

Enimont was formed recently under a joint agreement involving the combination of the assets of the Italian state-controlled EniChem with a large part of those of Montedison, the Italian chemicals company controlled by Mr Raul Gardini's Ferruzzi group.

Mr Artali has much experience in the chemical and energy sectors. He joined the ENI state energy group in 1981, became general manager of EniChem (controlled through ENI) in 1986, and vice president of EniChem in 1988 with responsibility for commercial activities.

The Enimont group expects only 14 per cent of its revenues for this year to arise from sales outside Italy. It intends to internationalise the group, and has plans to spend around $1bn on acquisitions in the European chemicals sector during the next three years.

Nymex elects chairman for a two-year term

THE New York Mercantile Exchange (Nymex), which deals in commodities futures and options and is the world's largest oil futures market, has elected Mr Z. Lou Guttman to a two-year term as chairman.

Mr Guttman, 39, ran unopposed for the chairmanship, a role in which he had already been serving since last August. Prior to that, he had been vice chairman from March 1987.

A member of the Nymex since 1978, Mr Guttman has been extremely active in the Exchange's affairs. He has served as chairman of the control, arbitration and realty committees, and as e member of ten other committees.

Mr William Berger, who became vice chairman last September, was elected to serve for a further term of one year.

* * *

MARSH & McLennan, of the US, the world's largest insurance broker, has nominated for election to its board of directors Mr Richard Heckert, chairman and chief executive of Du Pont, the biggest US chemicals group. It is subject to stockholder approval at the Marsh annual meeting on May 18.

Mr Heckert, 65, as previously announced, is to retire from Du Pont next month, with Mr Edgar Woolard Jr, 54, currently the chemical company's president and chief operating officer, taking over the helm.

* * *

THE PLATINUM Association, established to increase global awareness and understanding of platinum's many uses and to promote its usage in industry, jewellery and as an investment, announced in Frankfurt the election of a new president of the board for 1989.

He is Mr Ulrich Kunze of the West German Degussa chemicals and precious metals group, who has succeeded the Association's 1988 president, Mr R. Keith Elliott of the US Engelhard precious metals refining company. Mr Elliott became senior vice president.

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AMERICAN Express, the US financial and travel-related services group, elected chairman and chief executive officer Mr James Robinson to the additional position of president.

Mr Louis Gerstner is leaving the post to become chief executive of RJR Nabisco.

CONTRACTS & TENDERS

TVB makes HK$325m profit

By Michael Marray in Hong Kong

TELEVISION Broadcasts (TVB), the Hong Kong company which emerged from a restructuring last November, yesterday reported after-tax profits of HK$325.7m (US$41.8m) for last year.

The results were in line with market expectations and were the first to be released since TVB was demerged from the group's non-broadcasting assets to comply with new government regulations.

TVB dominates the local industry with one Chinese language and one English channel. Its turnover for the year was HK$1.04bn.

HK-TVB, the other arm which is involved in areas such as merchandising, travel services, property investment and movie production, reported net profits yesterday of HK$423m for the year. However, these included the television broadcasting operations until November 14. The company said that without the broadcasting figures its profits for the year would have been HK$47.6m.

Until late last year Mr Alan Bond's locally listed Bond Corporation International was a major shareholder in both companies. In November BCI disposed of its 30.4 per cent holdings in TVB and HK-TVB to the Kuok family of Singapore for HK$2.01bn.

IBM Japan jumps 36%

By Michiyo Nakamoto in Tokyo

PRE-TAX profits of IBM Japan, the wholly owned subsidiary of International Business Machines of the US, jumped 36.1 per cent to Y203bn ($1.52bn) last year.

The company attributed the rise to strong sales growth and extensive cost-cutting measures.

Sales rose 12 per cent to Y1,878bn. Domestic sales jumped 12.8 per cent to Y838.51bn, while exports climbed 10.1 per cent, despite the rise of the yen.

The company said the growth in domestic sales was due to greater investment by Japanese companies in information and communications systems, aggressive marketing in growth industries – such as the distribution and service sectors – and efforts to improve sales of medium-size and smaller computers.

Exports were supported mainly by an increase in sales of 3.5-inch floppy discs to Western Europe, produced at the company's Fujisawa plant.

OCBC lifts earnings by 26%

OVERSEA-CHINESE Banking Corporation (OCBC), one of Singapore's leading banks, boosted group net profit 26 per cent last year to S$164.95m (US$84.5m), Our Financial Staff writes.

A final dividend of 9 cents a share makes a total for the year of 14 cents.

INTERNATIONAL COMPANIES AND FINANCE

Unisys to show $60m first-quarter deficit

By Roderick Oram in New York

UNISYS, the third largest US computer maker, said yesterday it will report a first-quarter loss of $60m-80m because of an array of adverse business and organisational factors.

Wall Street took the news in its stride, leaving the share price unchanged at $25⅛ by late morning. Analysts had been expecting a poor quarter with earnings of around half the year-earlier figure of $149.3m, or 77 cents a share. The company also announced in February thet it would be cntting 3 per cent of its workforce.

To some extent investors have been hardened recently to bad news from computer and software manufacturers. International Business Machines, Apple, Digital Equipment and Microsoft have all warned the markets of a poor first quarter with an adverse affect on their share prices.

Unisys's shares had fallen from a high in February of $30¾, broadly in line with the computer sector's downturn.

All the companies say their problems are short lived, often revolving around problems with components or new products. They have also cited short-term weakness in orders which they forecast will improve later in the year.

Analysts are becoming more sceptical, though, believing the softness may last longer.

Unisys said it believed its loss would be "an aberration" and it expects its results to return to trend in the second quarter.

It cited three main reasons for the loss. First, shipments of its 1100 range of mainframe compnters are "abnormally low" in this quarter because customers have opted for its replacement range, the 2200, which has just come to the market.

Second, the US Government has temporarily snspended Unisys from three lines of defence work during its investigation of bribery of Pentagon procurement officers. The suspension has "created disruption and added costs," the company said.

Third, the recent restructuring of Unisys's organisation "clearly impacted first quarter sales efforts."

Ames expects to see loss

By Our Financial Staff

AMES Department Stores, the rapidly growing US regional discount stores chain, is anticipating losses for the first six months.

However, it expects to recover by the end of the year.

The group said the historically lower volume during this period will not offset the increased costs involved in consolidating the Zayre stores which were acquired last year.

Ames acquired Zayre's troubled discount stores division for about $800m, which made it the third largest discount stores concern in the US.

US groups pull out of trading deal

By Anatole Kaletsky in New York

FOUR leading US corporations announced yesterday that they had abandoned plans to convert significant portions of tbeir equity capital into Unbundled Stock Units, the complicated new trading instruments devised last year by Shearson Lehman Hutton, the second largest US investment bank.

For Shearson, which had described the invention of the USU as "a milestone" in corporate finance and predicted that this brainchild would revolutionise securities trading and investment on Wall Street, the failure of the new instrument came as a major embarrassment.

The USUe were designed to represent what Shearson had described as the three underlying motivations for equity investment — steady income, the possibility of incremental income and the chance of capital gains.

Each share of a company's equity was to be split into three units.

The first would pay a steady stream of dividend income. The second unit was designed to capture the rise in the company's shares.

The third portion would receive any dividend increases.

While there was general agreement on Wall Street that yesterday's announcements were an embarrassment for Shearson and the four potential issuers — American Express, Dow Chemical, Pfizer and Sara Lee — there was a range of views about the implications of the USU flop.

Some analysts said the market's rejection of USUs was a sign that "financial engineering" had finally reached the limits of its acceptability on Wall Street.

Shearson itself put down the failure to a recent decision by the Securities & Exchange Commission, which said that each USU would have to be treated as equivalent to a common share in the calculation of the issuer'e earnings per share.

Shearson had hoped that the USUs could be ignored in these calculations, thereby boosting the earnings per share reported by issuers.

Prior to the SEC ruling, Shearson's interpretation had been backed by five major accounting firms and the staff of the Accounting Standards Board.

Bnt others argued simply that USUs were not a good idea. An artificial boost to earnings per share was not supposed to be the essence of the USU plan as originally presented by Shearson.

But the firm's salesmen had been unable to convince investors that their common shares could suddenly be made more valuable by converting them into what would effectively have been three less popular and less liquid types of securities — fixed-interest bonds, long-term warrants and preferred shares.

Merck and Johnson join hands

By James Buchan in New York

MERCK and Johnson & Johnson, two giants of the world's bealth care industry, are forming a joint venture to create and sell consumer medicines in the US.

Tbe new business, which will be owned 50-50 by the two companies, will take non-prescription drugs that emerge from Merck's vast pharmaceuticals research and feed them into Johnson & Johnson's far-flung over-the-counter distribution network.

Merck is by far the largest research-based drug company while Johnson & Johnson is the pre-eminent seller of over-the-counter drugs and hygienic products.

Mr Roy Vagelos, chairman of Merck, said: "Consumers are increasingly taking more responsibility for their own health."

He said the new company, which will be known as Johnson & Johnson Merck Consumer Pharmaceuticals, "will provide innovative products of genuine valne for over-the-counter use."

But both companies said it could be several years before the new company markets a product.

Yesterday's announcement marks a departure for Merck, which bas built a $6bn business on the strength of a string of highly successful prescription drugs, including Vasotec, a cardiovascular drug, and the Mevacor anti-cholesterol treatment. Merck currently sells only prescription drngs through a network of highly trained doctors' salesmen.

In contrast, Johnson & Johnson has a giant network selling over $3.5bn a year of Tylenol painkillers, Band-Aid adhesive plasters and baby care and first aid products to drug stores and snpermarkets. Under Mr James Burke, who retires this year as chairman, Johnson & Johnson has sought to link up with high-technology medicine in a number of joint venture deals with biotechnology companies.

Merck said one possible candidate for over-the-counter sales is a version of its Pepcid anti-ulcer formulation. But the development and approval of the drug would take several years.

"Merck researchere are already exploring OTC formulations of certain other Merck products beyond Pepcid," the companies said.

Nutricia to tap capital markets

By Laura Raun in Amsterdam

NUTRICIA, the Dutch food group, plans to tap the capital market soon to finance its expansion plans following an encouraging year in 1988.

After-tax profit nearly doubled to Fl 45.17m ($21.5m) last year from Fl 24.97m in 1987 on across-the-board improvements. The 1988 dividend was raised 12 per cent to Fl 5.80 a share from Fl 5.20 the year before.

Nutricia predicted further satisfactory growth in turnover and profit in the current year.

The company, which specialises in baby food and clinical nutrition, planned to issue a convertible bond to use to expand its activities.

Lower oil prices hit Venezuela

By Joseph Mann in Caracas

PDVSA, Venezuela's national oil company, saw net profits decline last year, primarily because of lower oil prices.

The company reported a net profit of US$1.02bn for 1988 on sales of $9.5bn, down from $1.42bn in 1987 when sales reached $10.9bn.

Last year, PDVSA exported an average of 1.62m barrels per day of crude oil and refined products at an average price of $14.62 per barrel. During the previous year, average daily exports were 1.52m barrels per day, at an average export price of $17.57 per barrel.

Mr Celestino Armas, Venezuela's Minister of Energy, said the company was studying a plan to invest $2bn in fertiliser production facilities to be built in Venezuela. Investment in 1988 stood at $1.98bn.

Exports accounted for $8.7bn of total sales of $9.5bn, while the remainder came from domestic sales of petroleum products and natural gas.

In recent years, PDVSA has been losing money on domestic sales of refined products, especially petrol, bnt last month the Government raised domestic prices for oil products by an average of 101 per cent.

PDVSA's oil production in 1988 averaged 1.72m barrels per day.

Alcan in joint battery venture

By Robert Gibbens in Montreal

ALCAN ALUMINIUM is forming a joint venture with Moli-Energy of Vancouver to develop lightweight vehicle battery systems.

The project will link Alcan's aluminium air battery technology with the Vancouver company's rechargeable lithium battery know-how.

Alcan is buying 20 per cent of Moli-Energy by subscribing for 3.8m Treasury shares plus warrants for just over C$10m (US$8.4m).

INTERNATIONAL CAPITAL MARKETS

Dollar issues move centre stage

By Andrew Freeman

THE DOLLAR sector of the Eurobond markets was the centre of new issue activity yesterday, with traders expressing dismay as several straight maturity deals were launched.

"We haven't seen strong buying in this sector for some time and secondary market spreads have been widening every day," said one syndicate manager.

INTERNATIONAL BONDS

The launch spreads on yesterday's deals were widely criticised as too tight, and placement of the bonds was expected to be slow.

Morgan Stanley was the lead manager of a $200m 10-year deal for the State Bank of New South Wales. The bonds came with a coupon of 10⅜ per cent and were launched at 102 to yield, some 72 basis points over the equivalent US Treasuries.

The structure of the deal was unusual in that the bonds rated as subordinated debt, allowing Morgan Stanley to attach a coupon above the current 10¼ per cent standard for 10-year paper.

However, a guarantee by the State of New South Wales raised the official status of the deal, offering investors the comfort of an AA1/AA+ credit rating.

The deal was well sign-posted and Morgan Stanley said it had largely negotiated the syndication in advance.

There were seven co-lead managers, while co-managers were invited on a so-called "take and pay" basis, with the lead manager guaranteeing no deductions for stabilisation.

However, there was some controversy over the handling of the deal, because the lead manager was not making a bid price to independent brokers.

The offer price in the market was less 1⅞, while Morgan Stanley said its bid price to co-lead managers was around less 2, a discount equivalent to full underwriting fees.

The deal was priced against US Treasuries in the absence of benchmark dollar issues by Australian borrowers.

However, a Morgan Stanley official said that a 10-year issue last year by Qantas, Australia's state-owned airline, was trading in the secondary market at around 61 basis points over Treasuries.

Syndicate officials at other houses felt this implied a launch spread for yesterday's issue of nearer 80 basis points over Treasuries in order to attract investors.

The proceeds were swapped into floating-rate US dollars to achieve a funding rate of around Libor. The borrower is likely to swap these funds into Australian dollars at its convenience.

Morgan Stanley also brought a C$100m deal for GMAC Canada, a subsidiary of the financing arm of General Motors. The five-year bonds came with an 11¼ per cent coupon and were priced at 101⅝ to yield some 50 basis points over the equivalent Canadian government bonds.

This pricing was generally acknowledged as correct. Existing GMAC paper was trading around 24 basis points over Treasuries and the lead manager aimed yesterday's deal at unsatisfied demand for earlier deals by the same borrower.

Again, Morgan Stanley syndicated the deal along revised lines, keeping around half the bonds itself, inviting only a small number of co-managers and guaranteeing no stabilisation charges.

Despite approving the pricing and terms, one house invited into the deal declined on principle when it learned that Morgan Stanley would not be making a bid price to brokers, saying this damaged the transparency of the market.

The lead manager was quoting the bonds itself at less 1⅞ bid, a discount equivalent to underwriting commissions. The proceeds were unswapped.

Yamaichi was the lead manager of a $100m four-year deal for Nissan International Finance (Netherlands) which came with a 10⅝ per cent coupon and was priced at 101½ to yield some 70 basis points over the equivalent Treasury.

Daiwa launched a $100m five-year issue for Nissho Iwai Finance (America) which came with a 10½ per cent coupon and was launched at 101¾ to yield some 65 basis points over Treasuries.

Both deals met sluggish demand and were criticised for being aggressively priced, with syndicate officials suggesting that a yield at least 10 basis points higher would have been more appropriate.

A Matador issue for the Council of Europe was launched by Bankers Trust. The Pta10bn five-year bonds carried an attractive coupon of 12⅝ per cent and were trading comfortably inside underwriting fees of 1⅞ per cent.

The lead manager was quoting the paper at less 1.70 bid. The proceeds were swapped into floating-rate US dollars.

In Switzerland yesterday, new issue activity put pressure on other recent deals amid reticent investor demand.

The World Bank SFr125m deal launched two weeks ago was marked down by ¼ point to less 1⅛ bid, although it was said to have been well placed. The BP America SFr100m issue eased from less 1⅞ to less 1⅞ bid.

Grey market trading of yesterday's new issues was steady, with all three deals quoted around fees.

Air Canada's seven-year deal saw good demand and closed at less 1¼ bid, inside fees. The pricing on the other two deals was said to have been slightly tight.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
State Bk of New Sth Wales◆	200	10⅜	102	1999	2/1¼	Morgan Stanley Int.
Nissan Int.Finance◆	100	10⅝	101½	1993	1⅝/1⅛	Yamaichi Int. (Europe)
Nissho Iwai Finance◆	100	10½	101¾	1994	1⅞/1¼	Daiwa Europe
Mitsubishi Electric Corp.♦	800	(4½)	100	1993	2¼/1½	Daiwa Europe
Toyo Menka♦	300	(4½)	100	1993	2¼/1½	Nikko Secs. (Europe)
Kamigumi Co.♦	300	(4⅝)	100	1993	2¼/1½	Nomura Int.
Intec Inc.♦	100	(4⅝)	100	1993	2¼/1½	Nikko Secs. (Europe)
Final terms fixed on:						
Nippon Shinpan(a)♦◆	300	4⅝	100	1993	2¼/1½	Daiwa Europe
Nippon Shinpan(a)♦◆	150	4⅝	100	1993	2¼/1½	Nomura Singapore
CANADIAN DOLLARS						
GMAC of Canada◆	100	11¼	101⅝	1994	1⅞/1¼	Morgan Stanley Int.
AUSTRALIAN DOLLARS						
Amro Bank Australia◆	60	16½	101⅞	1991	1¼/¼	Amro Bank
BNP◆	50	20⅝	101¾	1990	1/⅝	Bankers Trust Int.
D-MARKS						
Toyo Tire and Rubber♦	100	(2¼)	100	1994	2¼/1⅜	Commerzbank
SWISS FRANCS						
Air Canada★★◆	100	5⅝	100⅝	1996	1¼/1⅝	Citicorp Inv.Bank(Switz)
Finland◆	100	0½	101	1999	n/a	Credit Suisse
Nat.-Nederlanden★★◆	100	5⅝	101	1994	n/a	UBS
Toyo Tire and Rubber♦★★	60	(1¼)	100	1994	n/a	UBS
Tachi-S Co.♦★★	45	(1¼)	100	1994	n/a	UBS
GUILDERS						
Intec Inc.♦	75	(1⅜)	100	1993	2¼/1¼	CSFB-Nederland
ECUs						
Sweden(b)◆	50	14½	101⅞	1990	1/⅝	Bqe Paribas Cap.Markets
PESETAS						
Council of Europe◆	10bn	12⅝	101⅝	1994	1⅞/1¼	Bankers Trust

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Coupon indicated at 4⅝%. b) Redemption in Ecu or US$ at fixed exchange rate.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Tel. Fin. 9¾ 98	250	95⅞	96⅜	+0⅛	+0⅜	10.05
Canada 9 96	1000	95¾	96¼	0	+0⅜	9.82
Canadian Pac 10¾ 93	100	†99¾	100¼	0	0	10.72
C.C.C.E 9¾ 95	300	95¾	96⅜	0	+0¼	10.20
C.N.C.A 9⅞ 93	150	96½	97	+0⅛	+0¼	7.25
Credit Lyonnais 9 91	200	†97¼	97¾	0	+0⅛	10.49
Credit National 8¾ 93	200	92⅝	93⅛	0	0	10.44
Credit National 7¾ 92	100	91⅞	92⅜	0	0	10.49
Credit National 9½ 92	160	97¾	98¼	+0⅛	0	10.34
Dai-Ichi Kan 9⅝ 92	150	97⅛	97⅝	0	+0⅛	10.47
Denmark 7¾ 92	500	91½	92	0	+0¼	10.53
E.E.C. 7 91	100	92¼	92⅞	+0⅛	+0⅛	10.37
E.E.C. 7¼ 93	250	90⅜	90¾	0	+0⅛	10.34
E.E.C. 8 90	350	†96⅝	97⅛	0	0	10.57
E.I.B. 7¾ 93	100	90	90⅛	0	0	10.32
E.I.B. 9¾ 97	150	95⅞	96¼	0	+0⅛	10.08
Elec.De France 9 98	200	93½	94	0	+0¼	10.09
Finland 7⅞ 97	200	87⅞	88⅜	+0¼	+0¾	10.13
Finn.Exp.Cd. 8½ 92	200	94¼	95¼	0	+0⅛	10.55
Finn. Exp. Cd. 9¾ 95	200	95⅜	96⅛	+0⅛	+0⅜	10.24
Ford Motor Credit 8 91	250	†95⅜	95⅞	0	0	10.56
Gen.Elec.Cap.Corp. 9 93	500	95	95½	0	0	10.31
Gen Elec Credit 10¾ 00	200	99¾	99⅞	0	-0⅞	10.30
Gen.Mtrs.Corp. 9⅛ 92	200	96⅛	96½	0	-0⅜	10.49
Halifax BS 9½ 93	200	†96¼	96¾	0	+0¼	10.54
IBM Credit Corp. 8⅞ 91	250	96⅝	97⅛	+0⅛	+0¼	10.26
IBM Credit Corp. 9⅛ 92	250	98¾	98¾	0	-1⅛	10.11
Italy 9½ 95	1000	96⅝	97⅛	+0⅛	+0¾	10.15
Italy 9⅝ 99	1000	96¼	97¼	+0⅛	+0½	10.11
L.T.C.B of Japan 8 91	100	94¼	94¾	0	+0¾	10.69
L.T.C.B. of Japan 9¼ 92	200	96¼	96⅝	0	+0⅛	10.43
Metropolis Tokyo 9½ 93	200	97⅞	98⅜	0	+0¼	10.10
Nippon Tel.&Tel. 9¾ 98	250	95⅞	96¼	+0¾	+0¾	10.02
Norway 8¾ 93	500	95⅛	95⅝	+0¼	+0¾	10.23
Portugal 8⅛ 91	300	†95¼	95⅞	0	+0¼	10.89
Prudential Crp. 8¾ 94	125	94	94½	+0⅛	+0⅜	10.18
Qantas Airways 10⅛ 95	140	100½	101	+0⅛	+0¾	10.18
Saskatchewan 10⅝ 92	100	100⅝	101⅛	+0⅛	+0¾	10.37
State Bk S Aust 9¾ 93	100	96¼	96½	0	0	10.46
Sumitomo Bank 9⅛ 92	150	97¼	97¾	0	+0⅜	10.47
Swed Exp Cred 7¾ 91	100	†92½	93	0	+0¼	10.42
Sweden 7 91	250	92½	93	0	+0⅛	10.37
Sweden 8¾ 96	200	93⅛	93⅝	+0⅛	+0¾	10.06
Sweden 8½ 92	200	†95	95½	0	0	10.19
Toyota 9½ 91	200	97½	98	0	+0¼	10.45
Victorian Rep 11⅛ 92	150	102⅞	103⅜	0	+0⅛	10.47
World Bank 7 92	300	†92⅛	92⅝	+0⅛	+0¼	10.21
World Bank 9 97	300	93⅞	94⅛	0	+0¼	10.07
World Bank 9¼ 98	300	95⅛	95⅝	+0⅜	+0⅜	10.00
World Bank 9⅝ 99	500	97⅞	98⅛	+0¼	+0½	9.96
Yasuda Trust Fin 8½ 93	100	†93	93½	0	+0⅜	10.53

Average price change... On day +0⅛ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	97⅝	98⅛	-0⅛	-0⅛	6.42
Avis Fin.SVS 5¾ 92	100	98	98½	0	0	6.54
Bank of Tokyo 5¾ 93	100	—	—	—	—	—
Central BK. Turkey 7 92	200	99¾	100¼	-0¼	-1¼	6.98
Commerzbank o/s. 5⅞ 93	300	96½	97	+0⅛	-0¼	6.36
Degussa Int. 6¾ 97	200	95⅞	96½	-0⅛	-0⅞	6.74
E.I.S 5½ 98	100	91⅛	91¾	-0⅛	-0¼	6.78
E.I.B. 6¼ 99	600	95¾	96⅜	-0¼	-0⅜	6.82
E.I.B. 6⅛ 96	300	96½	97⅛	-0⅛	-0⅜	6.70
E.I.B. 6⅛ 97	400	95⅞	96⅛	0	+0¼	6.79
E.I.B. 6⅞ 95	300	100½	101¼	0	-0⅛	6.70
Euro.Coal & Steel 5⅞ 97	175	94⅛	94⅞	0	0	6.80
Eurofima 6¼ 96	100	98⅜	98⅞	-0⅛	-0½	6.51
Elec De France 5¾ 97	300	95¼	94½	+0¼	+0⅛	6.70
Forsmark Krtg. 5⅛ 93	200	94⅝	95	-0⅛	-0⅛	6.69
I.A.D.B. 6 97	200	94⅝	95⅛	+0⅛	+0⅛	6.81
Japan Dev. Bk. 5⅝ 95	300	93¼	94	0	0	6.68
Japan Finance 5⅝ 97	100	92⅞	93⅜	0	-0½	6.88
Ireland 6½ 97	300	98	98½	+0½	+0¼	6.79
Malaysia 6¼ 94	150	100¾	101⅛	+0⅛	+0¼	6.01
Nat. West BK. PLC 6 98	300	93⅞	94⅛	0	+0⅛	6.95
N.H.L. Finance 6¼ 95	200	†96¾	97¼	0	-0½	6.82
Nippon Telg.&Tel. 6 95	400	97⅝	98⅜	+0¼	-0⅛	6.22
Oesters. Kontbk. 5 93	300	96¼	96¾	-0⅛	+0⅜	6.08
Portugal 5¾ 92	150	96⅝	97⅛	-0⅛	-0⅛	6.77
Portugal 6¾ 95	150	98⅝	99⅛	0	+0⅛	6.84
Privatbanken 5¾ 93	150	94⅛	94⅞	+0¼	+0½	6.86
Royal Insurance 5½ 92	300	97	97½	-0⅛	-0½	6.53
Soc Cent Nuclear 7¼ 95	150	100⅝	101⅛	0	0	7.04
Turkey 6½ 95	500	96¼	97½	0	+0⅜	7.09
Union Bk. Finland 5½ 94	200	94⅛	94⅞	0	0	6.84
Westlb. Finance 5 93	200	†94⅝	95⅛	-0⅛		6.52
World BK. 6¼ 97	600	97¼	97⅞	0	+0⅛	6.85

Average price change... On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†96½	97	-0⅛	+0¼	5.55
Asfinag 5 03	100	†93	93⅛	0	-1⅛	5.71
B.F.C.E. 4½ 98	200	†92	92½	0	-0⅛	5.59
B.M.W.Fin.Neth. 5 13	150	†88	88¼	0	+0⅜	5.94
Britannia B/S. 4⅛ 94	100	†92¼	93⅛	0	-0¼	5.78
CIR. Int. W/W 3 93	125	†93	93¼	-0¼	-1½	4.80
Credit Lyonnais 4¾ 00	100	†90⅛	91	-0⅛	-0⅛	5.90
E.I.B 4⅛ 98	100	†93	93⅛	-1⅛	-0⅛	5.59
Fletcher Chall. 4⅞ 98	150	†90½	91	-0½	-0½	6.24
Kobe City 4⅝ 98	150	†92½	93½	-1	-1⅛	5.61
Leeds Perm. B/S. 4⅛ 93	200	†94¼	94⅞	+0¼	+0⅛	5.72
Malaysia 5¼ 98	100	†93	94	-0¼	-2	6.19
Maxwell Comm. Crp. 5 95	150	†97½	98⅛	+0¼	+1¼	5.38
Nat. Bk. Hungary 5½ 94	75	†95½	97	+0½	-0¼	6.29
Nationwide Ang.B/S. 4 93	200	†92½	93½	0	-0⅛	5.92
Nippon Telg.&Tel. 4⅛ 95	200	†95¼	95¾	-1	-1⅛	5.09
Oesters. Ktbk. 5 03	75	†93½	94½	-0½	-1⅛	5.62
Prov. Newfoundland 5 03	150	†96¼	96¾	+0⅛	+0¼	5.35
Thailand 4⅝ 95	200	†93½	94½	+0½	+1	5.78
World Bank 5 03	150	†96½	97	0	-0⅛	5.33

Average price change... On day -0¼ on week -0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅛	102	0	+0⅜	5.06
Canada 5⅝ 93	80	101¾	102	+0⅛	+0⅜	5.12
Eurofima 5 1995	20	98½	99	0	0	5.24
E.I.B. 4⅞ 93	30	98¼	99	+0⅜	+0¼	5.20
Ireland 5⅛ 93	30	99½	100	0	0	5.19
Norway 5⅛ 93	50	99⅜	99⅞	+0¼	+0¼	5.17
Sweden 4⅞ 93	50	97¼	98	0	+0⅞	5.21
World Bank 5⅛ 98	10	99¼	99¾	0	0	5.20
World Bank 7 94	20	107⅛	108¼	0	+0⅛	5.22

Average price change... On day +0 on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	97	97½	-0⅛	-0¼	11.14
Abbey Nat. 11⅝ 95 £	100	99⅜	99⅞	0	-0⅛	11.70
Alg. Bk. Ned. 5¾ 92 FL	150	95⅜	95¾	0	+0¼	7.23
Alg. Bk. Ned. 5¼ 93 FL	200	96⅛	96⅞	+0⅛	+0⅛	6.75
Austria 7½ 94 ECU	100	95⅞	96⅜	0	+0⅝	8.48
Bk.Nova Scot. 14¾ 90 A$	75	95¾	96⅜	0	0	17.26
Barclays Aus. 13½ 91 A$	100	95⅞	96¼	+0¼	+0½	15.46
BP Capital 9¾ 93 £	100	94¼	94⅞	-0⅛	-0¼	11.56
British Airways 10 98 £	100	92¾	93¼	-0⅛	-0¼	11.28
Buhrmann-Tet. 6⅜ 95 FL	100	96⅝	97⅛	0	+0¾	7.23
Comm. Bk.Aust. 12⅞ 93A$	100	†92¼	92⅞	+0⅛	+0½	14.09
Coop.Ctr.Rabo. 6¾ 95 FL	100	98¼	98¾	0	+0¼	6.70
Coop.Ctr.Rabo. 6 92 FL	200	97⅜	97⅞	0	+0¼	6.82
Dixons 11 95 £	90	†97⅛	97¾	-0¼	-0⅜	11.61
Deut. Bk.Aus. 13¾ 93 A$	125	96¼	96¾	+0¾	+1	14.43
Eastman Kodak 13 90 A$	100	95⅞	95⅞	+0¼	+0¼	16.53
E.I.B. 7 96 LFr	100	†97¼	98¼	0	0	7.42
Elec.France 10¾ 95 C$	125	†95⅛	95¾	+0⅛	+0¼	11.31
Euratom 7⅛ 97 ECU	145	91¾	92¼	-0¼	+0¾	8.82
Fed.Bus.Dv.Bk. 9¾ 92 C$	75	†94⅛	94⅞	+0¼	+0¾	11.84
Fed. Bus.Dev.Bk. 10½ 93	50	95⅝	96⅛	0	+0⅜	11.75
Ford Cr.Can. 10¾ 93 C$	100	†96⅛	97	+0¼	+0¾	11.82
Ford Cred.Can. 10⅞ 96C$	125	96¾	97¼	+0¼	+0¼	11.52
Ford Mtr.Cred. 7½ 91ECU	100	96¾	97¼	-0¼	+0½	8.79
G.M.A.C. 9¾ 95 C$	150	†94	94½	+0¼	+0¾	11.57
Honda Intl. 7¾ 93 Ecu	100	95½	96⅛	0	+0¼	9.01
Hydro-Quebec 11 99 C$	400	97⅛	97⅞	+0⅛	+0¼	11.47
Lloyds Bank 10¾ 98 £	150	93⅞	94⅜	-0⅛	-0¼	11.32
Lloyds Bank 11¾ 98 £	100	98⅜	98⅞	-0⅛	-0⅛	11.60
Montreal Tst. 10¾ 93 C$	100	†95¾	95⅞	+0⅜	+0⅜	12.08
Morgan Guar. Tst. 11 91 C$	150	97¾	98¼	-0⅜	0	12.24
Nat. Aus. Bk. 14¾ 94A$	100	99	99½	+0¼	+0¾	14.95
Ned. Midd. Bank 6 92 FL	150	96⅝	97¼	0	+0¼	7.19
New Zealand 9½ 93 £	100	93⅛	93½	-0⅛	-0¼	11.66
New Zealand 7¾ 93 ECU	200	97	97½	0	+0¼	8.60
Philips Gloeil. 6 93 FL	300	96¼	96⅞	0	0	6.91
Privatbanken 7½ 94 LFr	500	†98¾	99¼	0	0	7.81
Royal Bk.Scot. 10⅝ 98 £	125	96¼	96¾	-0⅛	-0¼	11.31
Saskatchewan 9⅞ 91 C$	150	†95¼	95¾	+0¼	+0⅜	12.16
Saskatchewan 10¾ 95 C$	200	94⅝	95⅛	+0¾	+0⅛	11.71
State Bk. NSW. 13¾ 93A$	100	95⅛	96¼	+0¾	+0⅜	15.14
Sweden 15 94 A$	100	101¾	102¼	+0⅛	+0¾	14.44
Union Bk. Switz. 7½ 95	150	†96½	97⅛	0	+0⅜	8.28
World Bank 5¾ 92 FL	100	97⅛	97⅞	0	+0¼	6.64
World Bank 13⅛ 92 A$	100	†97⅞	98⅜	+0¾	+1⅛	14.04
Zentrspk. 13⅛ 93 A$	75	96¾	96¾	+0¼	+0⅜	14.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.68	99.73	18/04	13.21
Belgium 91 US	0	100.05	100.12	19/08	10
Britannia 5 93 £	0¼	99.92	99.97	10/04	13
Chase Manhattan Crp. 91 US	†0¼	99.20	99.45	20/08	9.94
Citicorp 98 US$	†0¼	98.20	98.45	29/05	10.33
Credit Foncier 98 US	.063	99.85	99.95	20/04	8.44
EEC 3 92 DM	†0	101.00	101.10	20/08	6.72
Halifax BS 94 £	.1	99.85	99.90	6/05	13.07
Invt. in Industry 94 £	0¼	99.95	100.02	24/05	13⅛
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	13/04	13.37
Midland Bank 01 £	.1	97.73	98.31	7/05	13.1
Milk Mkt.Brd. 5 93 £	0⅛	99.92	99.97	30/12	12.06
New Zealand 5 97 £	.07	100.00	100.10	14/11	12.19
State Bk. New. 98 US	.188	100.19	100.28	11/08	9.94
Woolwich Equit. BS. 93 £	0⅛	99.95	100.01	13/04	13.37
Woolwich 5 93 £	0⅛	99.84	99.89	19/05	13.12

Average price change... On day +0.01 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	109⅞	110⅜	0	15.74
Amer. Brands 7¼ 02 US	9/87	56.7	117¼	118¼	+0¼	2.79
Ashikaga Bank 2⅞ 02 US	4/87	967.	136¾	137⅞	+0¼	5.07
Asics 5 92 DM	12/83	472.7	237¼	238⅞	0	11.40
CBS. Inc. 5 02 US	4/87	200.	93¾	94⅞	+0¼	9.10
Comm. Credit 5⅛ 02 US	4/87	66.75	64⅛	65⅛	+0¼	104.94
Eng.China Clay 6½ 03 £	9/88	4.8	109	110	-0¼	0.19
Fujitsu 3 99 US	5/84	1106.	221	222½	-1	-1.18
Land Secs. 6¾ 02 £	6/87	6.72	96⅛	97⅛	-0¼	11.95
MCA Inc 5⅛ 02 US	9/87	69.62	90⅞	91⅞	0	23.22
Minolta Camera 2¼ 94DM	2/86	1004.	106⅛	107⅛	+1¼	12.07
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	121¼	123¼	-2¼	6.94
Mitsui Trust 2⅞ 01 US	10/86	1903.	135½	136½	0	6.86
Next Plc 5⅞ 03 £	11/87	4.3	98⅛	99⅛	0	100.42
[illegible] 2⅞ 03 US	4/88	804.	118	119	+1½	8.27
Omron Tateisi 2⅜ 02 US	4/87	1310.	209⅛	211	+3	-0.95
Ranks Hovis 4⅞ 03 £	1/88	3.5	113	114	0	2.91
Redland 7¼ 02 £	1/87	5.4	100¼	101¼	-0¼	6.58
[illegible] 6½ 03 £	10/89	4.41	93¼	94¼	-0¼	41.38
Sumitomo Bank 3¼ 04 US	2/89	4296.	89⅞	90⅛	+0¼	18.41
Texas Inst. 2¾ 02 US	9/87	82.87	72⅝	73⅝	0	57.69
W.R. Grace 6½ 02 US	9/87	42.12	91⅛	92⅛	-0¼	25.86

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SINS2: Lise BONDSIN Truncation occurred. Story '#107665'.

Sweden acts over tax evasion

By Sara Webb in Stockholm

SWEDEN'S FINANCE Ministry yesterday announced proposals to clamp down on tax evasion which, if passed by Parliament, will pave the way for the immediate lifting of foreign exchange controls.

The Riksbank (central bank), has already announced its intention to dismantle the hard core of Sweden's foreign exchange controls, which date from the Second World War and recently won support from Parliament to carry this out.

The move would open the domestic bond market to foreign investors and allow Swedes to invest in foreign bonds as well as open foreign currency accounts at Swedish banks.

The Government said yesterday that it would present a bill in Parliament by the middle of next month aimed at preventing tax-dodging, which it sees as an essential condition before exchange controls can be lifted.

According to the proposal, Swedish investors would have to deposit their foreign securities with a Swedish bank or brokerage. The bill is expected to go through Parliament by the end of May or beginning of June, allowing the immediate lifting of exchange controls afterwards.

"We will move fast once Parliament has given us the green light," Mr Bengt Dennis, governor of the Riksbank, said yesterday following the Finance Ministry's announcement.

INTERNATIONAL CAPITAL MARKETS

Disappointing UK trade data fails to dent progress

By Katharine Campbell in London and Janet Bush in New York

A WORSE-than-expected deficit on the UK current account failed to have much impact on the domestic government bond market.

When a £1.7bn gap for the February current account was announced in mid-morning, prices on gilt-edged stock fell by up to ¼ of a point, but steadied thereafter, and some short covering later in the day helped the market to end only about ⅛ of a point weaker by the close.

GOVERNMENT BONDS

Dealers noted that the Bank of England's presence in the market buying in more stock in the past couple of days was still underpinning the market sufficiently to insulate it against all but the worst of news. The trade data was not grim enough to warrant a base rate rise, the market reckoned, and sterling, though half a pfennig weaker immediately after the news, was still within the range of tolerance.

The benchmark Treasury stock, the 11¾ per cent due 2003/2007, was quoted at 115⅞ in late trading, after touching a low of 115¾ after the trade data.

US TREASURY bonds traded in a tight range yesterday morning, showing little reaction to an expected 0.3 per cent drop in leading indicators last month.

At midsession, prices were quoted around ⅛ point higher at the short end of the yield curve and as much as ¼ point up at the long end. The Treasury's benchmark long bond was quoted ⅛ point higher for a yield of 9.175 per cent.

The dollar did not exert as much of a positive influence on bond prices yesterday as on Tuesday, slipping slightly under the weight of another round of co-ordinated intervention by European central banks and the US Federal Reserve.

Nevertheless, the US currency again proved resilient, a factor that kept bonds underpinned. At midsession, it was quoted at Y132.75 compared with an earlier high of Y133.45 and at DM1.8910 from DM1.8965 earlier.

Another positive influence on the market was the strong demand seen at Tuesday's two-year note auction, which offered an interest rate of nearly 10 per cent. Trading was subdued yesterday morning in advance of the four-year auction.

The Federal Open Market Committee continued its two-day meeting yesterday. The Fed did not operate in the money market, consistent with no change in monetary policy and a Fed Funds target still at 9¾ per cent.

THE DUTCH market continued to be driven by the news on Tuesday that the central bank had begun to sell government stock from its state bond intervention portfolio to help curb unexpectedly high monetary growth. Money market liberalisations have meant that the central bank has had to look for new instruments to exert its influence.

Although inflation is low, the Dutch authorities have become concerned at the 14 per cent 1988 year-on-year growth of the monetary measure M1.

The intervention fund, which the bank began to build last year and which currently stands at Fl 1.5 bn, has thus been mobilised earlier than anticipated to signal to the markets official wishes for a steeper yield curve. At the moment yields at the short and long end of the Dutch market are almost equal.

Dealers noted that some investors had been selling guilder bonds yesterday, in the expectation of a steeper yield curve around the corner. Others had switched from D-Marks into guilder bonds as the spread had widened to 20 basis points at times during the day.

THE COPENHAGEN Stock Exchange yesterday began full trading of a futures contract based on a new bond index. The index comprises 20 registered bonds whose average effective yield to maturity is built into a 20-year annuity bond. The index will be updated every 15 minutes, although this will speed up to every five minutes in August.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-21	-2/32	10.80	10.66	10.66
		9.750	1/98	97-28	-3/32	10.12	10.02	10.16
		9.000	10/08	98-22	-3/32	9.15	9.08	9.13
US TREASURY *		8.875	2/99	96-23	+1/32	9.42	9.60	9.40
		8.875	2/19	96-28	+2/32	9.18	9.27	9.19
JAPAN	No 111	4.600	6/98	96.4686	-0.150	5.17	5.18	4.99
	No 2	5.700	3/07	108.3263	+0.300	6.03	5.06	4.90
GERMANY		6.375	11/98	95.9600	+0.025	6.95	6.95	7.01
FRANCE	BTAN	8.000	1/94	95.5248	-0.063	9.16	9.24	9.48
	OAT	8.125	6/99	94.1100	+0.050	9.02	9.04	9.30
CANADA *		10.250	12/98	97.7500	+0.375	10.62	10.67	10.56
NETHERLANDS		6.7500	10/98	97.1250	-0.250	7.16	7.11	7.27
AUSTRALIA		12.000	7/99	91.2609	+0.001	13.58	13.68	13.85

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Matif and OMF share BTAN contract

By George Graham in Paris

FRANCE'S TWO futures exchanges have agreed to co-operate on a five-year Treasury note (BTAN) contract, in a move that Paris bankers say could herald a more general truce between the rival markets.

Matif, an open outcry market which now claims to be the world's third-largest futures exchange with its 10-year government bond contract, and OMF, an electronic market owned by a consortium of French banks, announced yesterday that they would share the BTAN contract: last year they submitted competing projects for approval by the Conseil des Marchés à Terme (CMT), the French futures regulatory body.

OMF will run the market with its own system of automatic screen-based dealing for smaller orders and centralised telephone trading of larger blocs, first developed in Sweden.

It will also calculate investors' net positions and margin calls. Matif will carry out the financial transfers linked to margin calls, integrating them with calls on its own existing contracts. A total of FFr276bn ($43.2bn) of BTAN medium-term Treasury notes were outstanding at the end of 1988, with five-year notes accounting for around two-thirds of the total.

Secondary trading is not active, as most BTANs are held to maturity, but the grey market in forthcoming issues can reach up to FFr5bn a day trading volume.

Where the Government had earlier allowed the two markets to confront each other with rival stock index futures, it was unwilling to allow two competing contracts for BTANs, for fear of another flop like the Matif's three-month Treasury bill contract.

The two markets showed no inclination to settle their differences, but faced with an ultimatum from the CMT they reached final agreement yesterday morning, just before the deadline the supervisory body had imposed.

S&N options listed on floor of LTOM

AN OPTION on Scottish & Newcastle, the brewing group, will be listed on the floor of the London Traded Options Market on a permanent basis with effect from today, it was announced yesterday, writes Katharine Campbell.

It has been on the exchange as a so-called restricted life option for five months.

This marks the first time market demand has been sufficient for a restricted life stock to be put on to the permanent trading cycle.

Debate over ECP quality control

Norma Cohen reports on a Bank of England discussion paper

The Euro-commercial paper (ECP) market may continue to attract borrowers of lesser quality both from the US and the rest of the world because investors tend to be less credit-conscious than those in the US, according to a discussion paper prepared by the Bank of England.

However, the growing awareness of credit ratings among ECP investors will offset that tendency, the paper concludes.

While US investors typically demand credit ratings and/or committed lines of credit to back commercial paper programmes of non-US borrowers, ECP issuers had been able to tap the markets having neither, with investors basing their purchases more on name recognition than on strict credit assessment. Indeed, the growth of the ECP market has been spurred by the opportunity to borrow without having sought either, thus reducing the all-in cost of funds.

Indeed, the discussion paper concludes that for borrowers that can easily access both ECP and US commercial paper markets, ECP is only of peripheral value. "The main beneficiaries [of the ECP market] may therefore be the second-line companies whose name may be recognised in Europe, but which are not of sufficient strength to get a good credit rating in the US."

However, since the stock market crash of October 1987, ECP investors have shown increasing concern about credit quality, with increasing numbers of borrowers seeking both ratings and back-up credit lines.

And while credit rating agencies themselves are touting the benefits of ratings to borrowers, the discussion paper suggests that the availability of a rating will not necessarily translate into lower borrowing costs.

The author cites earlier research showing that credit ratings for top-quality borrowers have had little effect on rates and merely confirm the market's prior perception about credit quality. Lower-quality borrowers, on the other hand, may benefit more from obtaining one.

Also cited is the case of Klöckner and Co, the West German trading company, which experienced serious financial problems in autumn 1988. The company's existing paper carried an A1 credit rating. While there was no significant evidence of a flight to quality in that case and Klöckner and Co's bank stood behind it, the discussion paper notes that the incident made it apparent that the existence of a credit rating does not make an issuer immune to "event risk."

The paper notes that one of the main effects of securitised instruments such as ECP has been to remove commercial banks from the role of assessing and assuming credit risk. "To the extent that non-bank investors in securities are less well equipped to analyse risk, then risks to international financial markets could be increased," the discussion paper says. And because there is no lender of last resort in the event of a major corporate bankruptcy – such as that of the Penn-Central Transportation Company in the US in 1971 – commercial banks themselves which have provided back-up credit lines for ECP programmes will be expected to fill the gap.

Structural changes in world capital markets and Euro-commercial paper by JGS Jeanneau. Bank of England Discussion Paper number 37, February 1989

US securitised assets 'under pressure'

By Stephen Fidler, Euromarkets Correspondent

THE CREDIT quality of securitised assets in the US will continue to come under downward pressure this year as the new issue market shrinks, according to a report on the structured finance market by Moody's Investors Service, the US credit rating agency.

Moody's said the credit outlook for structured financings – issues of securitised mortgages, credit card receivables and similar items – was "somewhat negative." It described a "clear trend worldwide towards securitisation of riskier assets and the potential erosion of the credit quality of some third-party [credit] enhancers, such as banks and insurance companies."

Higher-risk loans were being securitised and higher-risk securities "at the lower end of the investment-grade spectrum" were expected to be offered to investors later this year, it said.

However, it added: "Perhaps the greatest credit concern is the increased competition among transaction architects and vendors" evident in 1988, which was expected to intensify in 1989.

Competitive pressures encouraged innovation, but they had a "dark side," by increasing pressure on underwriters, trustees, lawyers, accountants and credit enhancers to lower the quality of their due diligence and review standards.

However, Moody's said issuers would attempt to improve issue structures rather than suffer credit downgrading. Some $6.6bn of structured financings in the US and European markets were downgraded by Moody's in 1988.

The market in new structured financings, which has faltered in the first quarter, should shrink by 6 per cent this year

Some $125bn of such financings are expected, compared with $132bn last year, with the main decline expected in the new issues of collateralised mortgage obligations (CMOs). After expanding by 28 per cent last year, CMO volumes are expected to shrink by 8 per cent in 1989 to about $70bn.

The main reason for this is the shrinkage that has already taken place in the arbitrage advantages provided by issuing CMOs. This is partly because of the increased demand for conventional mortgage securities brought about by the RJR-Nabisco issue, which led investors to switch out of the corporate bond market. It also reflects the increased competition among intermediaries to structure such deals and the increasing tendency of government residential mortgage agencies to issue CMOs directly.

However, other parts of the market are expected to expand, including asset-backed securities and residential mortgage pass-through securities.

Tokyo futures exchange announces trading rules

JAPAN'S FUTURES exchange, which starts trading in late June and will list contracts for three-month Euroyen and Eurodollar deposits and the yen/dollar currency, has announced its trading rules, Reuter reports from Tokyo.

The Tokyo Financial Futures Exchange (TFFE) will accept membership applications from domestic and foreign banks and securities houses, foreign futures brokers and Japanese insurers and money brokers, TFFE said.

Minimum trading lots for three-month Euroyen deposit futures will be Y100m and the minimum move will be 0.01 point. The minimum lot for three-month Eurodollar deposits will be $1m and the minimum move 0.01 point.

Minimum lots for yen/dollar futures is Y12.5m. They will be listed in $ value per Y1 with a minimum move of $12.50. No more than six months will be traded. No contract will have a daily fluctuation limit. However, the TFFE will set some limits on members' open positions.

Settlement dates are set one day after the transactions between clearing members and the TFFE and on the following day between clearing members and their clients.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Mar 29 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Mar 28: Index No.	Thu Mar 23: Index No.	Wed Mar 22: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (207)	951.13	+0.2	10.28	3.95	11.95	3.05	949.18	943.73	937.79	733.49
2 Building Materials (28)	1197.78	+0.3	10.94	3.90	11.26	0.98	1194.60	1192.53	1182.82	957.67
3 Contracting, Construction (38)	1760.71	-0.4	11.70	3.72	11.18	4.49	1767.80	1766.08	1763.97	1539.90
4 Electricals (10)	2775.81	-0.1	8.12	4.32	15.15	1.47	2779.63	2764.18	2753.88	1946.87
5 Electronics (30)	2122.83	+0.5	8.89	3.15	14.58	12.87	2112.18	2097.11	2074.71	1453.75
6 Mechanical Engineering (55)	511.97	-0.2	10.10	3.92	12.07	1.15	513.07	506.96	504.11	282.52
8 Metals and Metal Forming (7)	539.87	—	14.21	5.51	7.95	0.00	539.89	536.28	533.47	433.06
9 Motors (17)	310.66	-0.1	11.68	4.82	9.97	3.23	310.94	308.69	308.43	261.59
10 Other Industrial Materials (22)	1606.08	+0.9	9.15	4.20	12.99	4.62	1591.81	1585.94	1576.89	1221.74
21 CONSUMER GROUP (186)	1168.53	—	9.08	3.69	13.90	3.84	1168.67	1161.57	1157.88	1022.29
22 Brewers and Distillers (22)	1273.83	-0.2	9.81	3.49	12.88	5.20	1276.78	1268.41	1265.21	1043.38
25 Food Manufacturing (20)	1023.37	+0.1	9.33	3.98	13.35	5.62	1022.06	1018.85	1015.29	893.48
26 Food Retailing (15)	1987.94	+0.2	9.12	3.53	14.43	8.25	1983.96	1975.43	1972.57	2029.35
27 Health and Household (13)	2163.87	+0.4	6.55	2.68	17.45	0.59	2155.40	2134.61	2127.88	1767.38
29 Leisure (33)	1615.08	-0.6	7.49	3.31	16.88	12.33	1624.12	1614.85	1604.90	1244.87
31 Packaging & Paper (17)	592.92	+0.4	9.88	3.99	12.36	1.24	590.73	583.28	578.61	473.11
32 Publishing & Printing (18)	3684.32	-0.1	8.58	4.27	14.60	3.92	3687.27	3652.71	3647.09	3317.50
34 Stores (33)	763.80	-0.2	11.39	4.59	11.51	1.64	765.67	763.60	761.86	799.79
35 Textiles (15)	516.76	+0.2	12.01	5.43	10.11	0.25	515.72	513.33	513.08	561.17
40 OTHER GROUPS (94)	1064.26	—	10.16	4.23	12.00	4.23	1064.30	1057.52	1051.21	857.83
41 Agencies (18)	1251.34	+0.3	8.52	2.70	15.93	10.61	1247.38	1238.62	1238.58	1118.48
42 Chemicals (22)	1216.17	-0.2	10.97	4.83	10.95	18.67	1218.65	1213.87	1198.77	977.08
43 Conglomerates (11)	1507.70	+0.1	10.13	4.85	11.41	4.27	1505.96	1493.38	1486.76	1140.54
45 Shipping and Transport (13)	2348.01	-0.2	8.46	3.63	15.16	0.00	2352.62	2339.99	2338.40	1906.21
47 Telephone Networks (2)	1106.45	-0.5	10.61	4.25	12.25	0.00	1112.28	1101.65	1090.63	946.62
48 Miscellaneous (28)	1489.38	+0.9	10.48	3.96	10.84	0.92	1476.36	1473.23	1471.26	1110.45
49 INDUSTRIAL GROUP (487)	1105.22	—	9.69	3.91	12.74	3.82	1104.64	1097.94	1092.62	913.17
51 Oil & Gas (13)	1997.88	—	9.57	5.55	13.38	40.19	1998.97	1987.04	1977.07	1753.26
59 500 SHARE INDEX (500)	1180.90	—	9.67	4.13	12.82	6.72	1180.44	1173.38	1167.59	984.17
61 FINANCIAL GROUP (126)	749.63	-0.2	–	5.01	–	8.33	751.33	748.48	745.42	658.75
62 Banks (8)	733.42	-0.1	23.25	6.48	5.65	18.41	734.33	729.12	726.29	640.80
65 Insurance (Life) (8)	1118.69	-0.2	–	5.25	–	0.00	1120.98	1121.53	1109.48	959.70
66 Insurance (Composite) (7)	595.23	-0.2	–	5.38	–	6.78	596.49	596.37	590.46	519.75
67 Insurance (Brokers) (7)	966.04	-0.6	8.74	6.53	15.26	15.60	972.29	969.77	963.48	823.41
68 Merchant Banks (11)	333.89	—	–	4.49	–	0.50	333.82	331.84	333.09	335.74
69 Property (53)	1331.29	-0.3	5.52	2.59	23.85	1.96	1335.87	1329.34	1326.90	1111.71
70 Other Financial (32)	373.15	-0.2	9.61	5.52	13.00	1.92	374.08	373.82	376.62	383.48
71 Investment Trusts (73)	1088.34	-0.1	–	2.88	–	6.18	1089.46	1081.26	1076.90	844.72
81 Mining Finance (2)	645.91	+0.3	8.97	3.71	12.31	2.50	643.78	636.16	674.28	432.96
91 Overseas Traders (8)	1408.78	+0.3	8.36	4.74	13.97	15.65	1404.53	1394.35	1394.07	978.82
99 ALL-SHARE INDEX (709)	1075.03	—	–	4.22	–	7.02	1075.01	1068.68	1064.06	896.64

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 28	Mar 23	Mar 22	Mar 21	Mar 20	Year ago
FT-SE 100 SHARE INDEX‡	2071.7	+1.2	2073.8	2056.6	2070.5	2057.0	2048.6	2072.2	2053.6	1745.0

FIXED INTEREST

PRICE INDICES	Wed Mar 29	Day's change %	Tue Mar 28	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	117.93	—	117.92	–	3.37
2 5-15 years	134.85	-0.08	134.96	–	2.89
3 Over 15 years	146.45	-0.14	146.65	–	4.56
4 Irredeemables	174.14	-0.20	174.49	–	1.51
5 All stocks	132.13	-0.06	132.21	–	3.29
Index-Linked					
6 5 years	132.73	-0.05	132.80	–	1.36
7 Over 5 years	134.09	-0.10	134.22	–	0.95
8 All stocks	133.91	-0.09	134.04	–	0.95
9 Debentures & Loans	117.57	-0.03	117.61	–	2.14
10 Preference	89.53	—	89.53	–	1.12

AVERAGE GROSS REDEMPTION YIELDS			Wed Mar 29	Tue Mar 28	Year ago (approx.)
British Government					
1	Low	5 years	9.48	9.46	8.59
2	Coupons	15 years	9.09	9.06	8.97
3		25 years	8.92	8.90	8.87
4	Medium	5 years	10.51	10.49	9.02
5	Coupons	15 years	9.53	9.51	9.18
6		25 years	9.09	9.07	9.05
7	High	5 years	10.63	10.61	9.12
8	Coupons	15 years	9.75	9.73	9.31
9		25 years	9.27	9.25	9.08
10	Irredeemables†		8.87	8.84	8.86
Index-Linked					
11	Inflation rate 5%	5yrs.	3.52	3.49	2.25
12	Inflation rate 5%	Over 5 yrs.	3.51	3.50	3.77
13	Inflation rate 10%	5 yrs.	2.60	2.57	1.36
14	Inflation rate 10%	Over 5 yrs.	3.33	3.33	3.61
15	Debs &	5 years	12.23	12.23	10.75
16	Loans	15 years	11.44	11.43	10.55
17		25 years	10.82	10.82	10.55
18	Preference†		10.07	10.07	10.16

‡Opening index 2065.9; 10 am 2066.7; 11 am 2063.5; Noon 2060.2; 1 pm 2064.6; 2 pm 2066.3; 3 pm 2069.0; 4 pm 2072.3; 4.05 pm 2072.1
(a) 1.52pm (b) 9.11am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	86	15
Corporations, Dominion and Foreign Bonds	0	12	32
Industrials	292	424	859
Financial and Properties	128	154	377
Oils	27	23	48
Plantations	0	0	12
Mines	29	71	85
Others	99	45	87
Totals	583	815	1,515

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§155	F.P.	-	171	155	Assoc. British Cycles 20p	166	+1	R5.25	2.7	4.2	10.3
-	F.P.	-	13½	11½	‡Ferrari Hldgs 2½p	12½	-½	-	-	-	-
-	F.P.	-	58	33	Greenfriar Inv Wrrts	56	+5	-	-	-	-
†	F.P.	-	100	70	*Hoskins Brewery 50p	90	-10	-	-	-	-
§47	F.P.	-	49	40	*Malaya Group 10p	46	+4	R2.0	3.7	5.8	6.3
§52	F.P.	-	78	52	‡Reflight(L) 5p	75	+1	R2.0	2.4	3.6	13.3
§.19	F.P.	-	80	69	SR & V Info. Systs. NV 5c	75		Q2.3c	9.1	0.9	12.7
-	F.P.	-	163	143	Ross Catherall 10p	160	+1	R4.45	2.9	3.7	12.3
§185	F.P.	-	213	195	Wood (Graham)	213	+2	R7.7	2.6	4.8	7.9

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings Mar 20
- Last Dealings Apr 7
- Last Declarations Jun 29
- For settlement Jul 10

For rate indications see end of London Share Service

Calls in Eagle Trst, Racal Telecom, IFICO, Unid Guarantee, J. Neill, Bula, Chas Baynes, Cons Tern, Pentland, Tyndall, AB Eng.

LONDON TRADED OPTIONS

EXPIRY DAY in individual stock options laid the foundations of most yesterday's dealings on the London Traded Options Market, but it caught a strong challenge from the London International Financial Futures Exchange. Dealings in the index on Liffe were affected by worse than expected UK overseas trade figures for February, which caused a brief reversal of the gentle upward drag that futures dealings have lately put on the index.

For a moment after the news of a £1.7bn net current account deficit was announced, there was a scare in the market, which meant that – despite the January figure being revised marginally downwards, from £1.7bn to £1.8bn – index future dealings showed a discount over cash, and over fair value. The money markets were, however, not inclined to take the trade figures closely to heart, and before long the future had reasserted an upward pull. The index itself closed 1.2 points up on the day, at 2,071.7, having ranged from 2,056.6 shortly after the publication of the trade figures to 2,073.8 at lunch-time.

Most of the actively traded options stocks were to be found in the March expiries. These included Hanson, which saw 4,076 contracts in total, comprised of 4,061 calls and no more than 15 puts, with the March 180 calls alone attracting 2,230 contracts, about two-thirds of which represented closing of positions, and 1,162 contracts in the August 200 calls, again representing something in the region of two-thirds closing.

Trusthouse Forte attracted 4,073 contracts, made up of 3,280 calls and 785 puts, with some rolling forward of positions to be seen, but British Gas pulled its own rank, with 4,073 contracts, consisting of 3,345 calls and 620 puts.

Index trading came to 8,224 contracts, comprising 3,465 calls and 4,759 puts. The March 2,100 calls attracted 2,176 contracts, and the March 2,050 puts 2,409, with some closing of interest in both cases. Scottish & Newcastle – given a temporary quotation on the options market on the back of the Elders' bid – has been given a continuing place, picking up with the May contract.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*445)	420	30	43	56	3	13	19
	460	5	21	36	19	33	41
Brit. Airways (*195)	180	18	22	28	1½	7	9
	200	5	15	10	9	16	17
	220	1	6	10	27	31	33
[illegible]							

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Trafalgar (*309)	330	32	38	50	3	11	12
	360	18	20	30	30	20	24
Utd. Biscuits (*316)	280	38	45	52	¾	6	8
	300	19	30	40	2½	13	15
	330	3	15	24	17	29	31
[illegible]							

[illegible]

UK COMPANY NEWS

Mild weather helps insurer to its best results since the mid-1970s

GRE advances 45% to £239m

By Nick Bunker

THE PETERBOROUGH ICI lorry explosion in the UK this month could cost Guardian Royal Exchange, the composite insurer, as much as £3.5m in claims, GRE said yesterday as it reported 1988 pre-tax profits up 45 per cent at £239.1m.

The £3.5m figure represents the sum GRE has set aside as a reserve, made up of £750,000 in possible property damage and £2.8m to cover liability claims in respect of the fireman who was killed and the 80 people who were injured, said Mr Sid Hopkins, GRE's deputy chief executive.

The news came though against a background of GRE's best results since the mid-1970s, with an underwriting profit of £27.7m in the UK, on premiums up 13 per cent at £689.7m, thanks to mild weather and the impact of premium rate increases. After investment income on its general insurance funds, pre-tax profits from UK non-life operations were £132.5m (£81.4m).

Worldwide, underwriting losses fell from £63.9m to £16.4m in the 12 months to December 30 1988, while investment income grew 21.4 per cent to £225.5m, thanks to higher interest rates and stronger positive cash flow from underwriting.

GRE said it is raising its total dividend 22 per cent to 10p per share.

Confirming though some industry observers' perceptions that non-life insurers will soon see their UK profitability enter a cyclical down-swing, GRE said it was seeing signs of a weakening of the disciplines which determine adequacy of premium levels.

Mr Hopkins said GRE is seeing increased activity by some US and European insurers trying to build market share in the UK by cutting prices. In addition, as big corporate buyers of insurance saw the profits insurers were making, so they were increasing their own self-insurance programmes, making premium rate increases harder for insurers to achieve.

The UK motor insurance market also appears to have seen almost the last of the big premium rate rises since the mid-1980s. GRE said the frequency of motor claims has stabilised at about 23 accidents for every 100 cars insured.

Mr Peter Dugdale, group chief executive, said GRE was still on the look-out for more acquisitions of European insurance businesses in the wake of its recently announced joint venture in Italy with Istituto Bancario San Paolo di Torino.

He said GRE was interested in building up life assurance operations in Spain, and gaining control of more distribution networks across Europe.

One thing which attracted GRE about the San Paolo joint venture, in which GRE and the bank are jointly buying three insurers, was that San Paolo's retail outlets would give GRE one of Italy's biggest distribution networks, he said.

See Lex

Schroders increases after-tax profit to £30m

SCHRODERS, the financial services group, increased its disclosed after-tax profits by 10 per cent to £30m in 1988. The result was described by Mr George Mallinckrodt, executive chairman, as "a satisfactory performance given the subdued outlook which prevailed at the beginning of 1988," writes David Barchard.

Disclosed earnings per share matched the growth in profits, rising by 10 per cent to 95.5p (85.3p). The final dividend is 13.5p, making 19.5p, an increase of 18 per cent on 1987.

Schroders also said it was to return to the retail unit trust market, from which it withdrew in 1987. Mr Wim Bischoff, group chief executive, said that market conditions were now favourable for a return.

It has remained active in the wholesale market for unit trust products and the group now appears to be planning an "off the page" operation which will make its products directly available to the public.

Mr Mallinckrodt said the diversity of operations had contributed to an improved overall result. Investment management had a less favourable year than in 1987, but venture capital activity had been further expanded with new operations in Italy and France.

Corporate finance and investment banking both improved, while equity broking and trading had continued along a "focused approach."

In London, J Henry Schroder Wagg, the group's merchant bank, ranked first by number and value of merger acquisitions for UK companies, while the US subsidiary, Wertheim Schroder, advised on 28 deals, 13 of them involving cross-border acquisitions.

● **COMMENT**

Schroders has evidently bucked the dismal trend among UK merchant banks, although exactly how much inner reserves have contributed to the pleasing picture is anyone's guess. Nevertheless, the bank's cautious approach, and its concentration on overseas markets, especially those in the Far East, has proved its worth. With more than half its shares tightly-controlled in family hands, Schroders appears immune to hostile bidders and threats of takeovers at least in the short term. In the longer term, however, there are those who believe that the value of the shares will one day be unlocked in the way that has already happened to several other family-dominated merchant banks. Meanwhile, Schroders has demonstrated that it is capable of sustaining profitability in difficult times without having to rely on one-off earnings, such as the 1986 insurance disposal or the 1987 entry into the Wertheim partnership.

Restructured Boddington disappoints with £14.8m

BODDINGTON, the Manchester-based brewer, disappointed the market yesterday with the announcement of a £14.8m pre-tax profit for the year to December 31, an increase of 2.5 per cent, writes Lisa Wood.

Mr Denis Cassidy, the new chairman, who is a former chairman of BhS, said he regarded 1988 as the year in which Boddington "bit the bullet". Taking that into account, and the cost of increasing investment he believed the results were satisfactory.

Turnover rose 5.6 per cent to £96.3m; but trading profits fell 1.6 per cent to £15.89m. Boddington laid some of the blame for this on the delayed closure of its Oldham Brewery.

Property profits rose to £1.67m (£1.09m). Total borrowings were £29m with interest charges at £3.25m (£2.87m).

Mr Cassidy said beer sales had improved in the second half. Ale sales had continued to decline with the growth coming from lager brands.

Earnings were static at 10.5p with a total dividend of 4.3p, an increase of 8.3 per cent.

● **COMMENT**

Boddington was fairly cocky yesterday about its future. Not only does it believe it is successfully emerging from a painful period of restructuring but it also claims that these changes will place it in good stead should the recommendations of the Monopolies and Mergers Commission on the industry be put into effect. The development of the wholesale division and its more cost effective brewing operations are the most notable examples here. High interest charges could put a brake on developing the retail interests while the wisdom of diversifying into the long-term growth area of old peoples' homes has yet to be seen. Analysts are looking for about £15.4m for the full year, with a reduced contribution from property disposals, giving a prospective p/e of 17 times.

Frogmore Estates falls to £9.01m

FROGMORE ESTATES, the property investment and development group in which Adelaide Steamship, the Australian group controlled by Mr John Spalvins, holds a substantial stake, yesterday unveiled taxable profits of £9.01m for the six months to December 31.

In the comparable period Frogmore made profits of £23.65m, although the figures for 1987 have been restated to include Portland Group's results on a merger accounting basis. Mr Dennis Cope, chairman, said that of that figure, about half was derived from the sale of a residential site in London's Docklands.

Turnover fell to £24.92m (£44.66m). The contracted rent roll increased from £11.67m to £12.63m. Earnings per 50p share were 12.9p (28.4p) and the interim dividend is lifted to 2.6p (2.3p).

Mr Cope said it was inevitable that profits from property trading would fluctuate but added that the second half had begun well.

Sun Life ahead to £23.2m but £3.2m cost for French link

By Eric Short

THE problem-strewn link-up last year between Sun Life Assurance and Union de Assurances de Paris cost Sun Life shareholders £3.2m as revealed by the 1988 preliminary results.

However, this is being treated as an extraordinary item in the accounts and shareholders' profit for the year on ordinary activities is lifted by 11 per cent from £20.9m to £23.2m, despite a dull unit trust market last year in the aftermath of the October 1987 stockmarket crash.

Shareholders received a 15 per cent dividend increase for 1988 to 38.69p.

Profits from the main life and pensions operation rose by more than 20 per cent from £14m to £17.2m, higher than was expected by the market. The company has again declared a significant special bonus to with-profit policyholders and shareholders see their profits increased in proportion.

Profits from the unit-linked life subsidiary more than doubled from £1.3m to £3.2m, reflecting both the continuing buoyant sales of life bonds last year and the success in the previous year of the Anniversary Bond.

However, profits from the pensions management subsidiary remained static on £3.2m. The excellent pension sales last year as a result of the Government's pension changes, much of which came in the latter part of the year, resulted in an initial financial strain.

The slump in unit trust operations, both on-shore and offshore, last year saw a profit of £2.5m in 1987, when sales went through the roof, turned into a £1.2m pre-tax loss.

Total funds under management within the group increased by 16 per cent over the year to £6.7bn on December 31, 1988.

● **COMMENT**

Sun Life's results for 1988 were a mixed bag, with good life profits from the main life fund being boosted by yet another special bonus payment to policyholders. This offset the severe losses from the unit trust operations where sales nose dived as a result of investors' confidence being completely shattered by the October 1987 stockmarket crash. The substantial increase in pension sales has not yet been reflected in comparable rises in shareholders' profits and the cost of the 15 per cent rise in dividends cuts into retained profits, despite this increase being the lowest for some years. Profits should grow again this year even though pension business to date has gone crazy and will impose a financial strain. However, the immediate problem is that retained profits, at £6.3m, will not cover the cost of interim dividend which in 1988 cost £7.4m – the profit from the life fund normally comes at the end of the year. And longer term, the developments in Europe, one project being close to launch, will need financing and a rights issue cannot be very far away.

Rockware sees profits increase 21% to £11.16m

By Vanessa Houlder

ROCKWARE GROUP, the glass container manufacturer, yesterday announced a 21 per cent increase in pre-tax profits for 1988 from £9.21m to £11.16m.

Turnover increased by 17 per cent to £189.31m (£161.45m). The share price fell from 75p to 73.5p.

The breakdown of operating profits was: glass £7.88m (£6.27m); printing £2.18m (£2.6m); plastics £1.1m (£1.33m); metals £341,000; engineering £279,000 (£371,000). The interest charge increased from £1.67m to £2.3m.

An exceptional item of £2.26m (£987,000) was mainly due to the reduction in the company's contribution to pension schemes.

Fully diluted earnings per share moved up by 13 per cent from 6.09p to 6.89p.

A final dividend of 1.25p (1.125p) per share was recommended for a total of 2.25p (1.49p) for the year.

● **COMMENT**

Even if 1988's setbacks are overcome, a plethora of difficulties means that Rockware will have to run very hard to stand still in the next couple of years. It faces a rising interest charge and a tax charge that has leapfrogged up from from 15 per cent to 24 per cent this year. An even bigger blow is likely to result from the new accounting treatment of pension holidays – which could take at least £1.5m out of profits. Thus, despite a strong contribution from the recent acquisitions and the prospect of margin recovery in the printing and plastics business, it is not even clear that Rockware will manage to increase earnings this year. Assuming, however, that it makes pre-tax profits of £17.5m this year, it is on a fully diluted p/e of 10. That seems unlikely to offer much upside, notwithstanding the possibility of some interest from a European predator.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
American Trust ......fin	2.65	-	2.25	3.9	3.4
Arcolectric Hlds........fin	0.52	-	0.46	0.98	0.88
Barry Wehmiller ......int	1.8†	May 16	1.5	-	4.5
BHH Group ....fin	2.75	-	1.25	4	1.25
Blackwood Hodge ...fin	0.9	June 1	0.65	1.5	1.2
Boddington ....fin	2.72†	-	2.5	4.3	3.97
Celestion ....int	0.75‡‡	May19	1	0.75	1
Food Industries ....fin	2.7♣	May	1.1	4	2
Frogmore Estates ....int	2.6†	Apr 28	2.3	-	10
Glynwed ....fin	6.25†	July 6	5.2*	9.7	8.06*
Grampian Hldgs ......fin	3.8	May 6	2.75	5.5	4
GRE ....fin	6.5	-	5.2	10	8.2
Hogg Rob & GM .....fin	4	-	3	6.5	3‡
Marley ....fin	4.25☆	May 25	3.35	6.35	5
Melville Group ....int	1.5	May 19	-	-	-
New Engl Props §....fin	0.3	-	nil	0.3	nil
NMW Computers ....fin	0.25	-	1	0.25	2.5
Ossory Estates ....int	0.3†	June 2	0.15	-	0.5
Prospective Gp §.....int	0.5	-	-	-	1
Palon § ....fin	1.2	-	-	1.2	-
Rockware Group .....fin	1.25†	May 31	1.125	2.25	1.49
Schroders ....fin	13.5	-	10.5	19.5	16.5
Sherwood § ....fin	3.9	May 19	3	5.5	4.5
Slough Estates ....fin	5.8	-	4.5	8.9	7.3
Spirax-Sarco ....fin	5.3☆	June 3	4.7	7.5	6.4
Tyndall Holdings .....fin	3†	-	3	5.5	5
Willis Faber ....fin	7.61☆	July 4	7.81	11.46	11.46
Wills Group ....fin	nil	-	2	nil	4
Worcester ....fin	1.98	May 15	1.4	2.9	2.06*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡For nine months. ☆Carries scrip option. ‡‡ For nine months. ♣Irish pence throughout.

Glynwed tops target and starts 1989 clean

By Andrew Hill

A PROGRAMME of acquisitions and disposals which changed the profile of Glynwed International during 1988, has helped the Midlands-based industrial group surpass its own target of 20 per cent annual earnings growth for the fifth year in soccession.

The group made £82.5m before tax in the 53 weeks to December 31, an increase of nearly 36 per cent on £60.4m made in 1987. Earnings per share rose 24 per cent to 28.81p (23.26p) and the final dividend is 6.25p to make 9.7p (8.08p) for the year. Turnover rose from £556m to £840m.

Last June, Glynwed bought Amari, the steel and plastics distribntion company, for £98m. Between July and the year-end the new subsidiary contributed profits of £8.8m before interest, on turnover of £186.7m, nearly matching the pre-interest profits of £9.3m for the whole of 1987.

The addition of Amari held back group operating margins slightly during the year.

Mr Gareth Davies, chairman and chief execntive of Glynwed, said the group hoped to improve Amari's margins during 1989, and pointed out that the new company's return on capital employed had increased from 15 per cent to 20 per cent in the five months nnder Glynwed's ownership.

Towards the end of the financial year, Glynwed also bought JB&S Lees, whicb makes and distributes specialist cold-rolled steel products, for £25m, and since then disposals have completed tbe group's witbdrawal from the South African market.

"We're going into 1989 absolutely clean," said Mr Davies yesterday. "We've divested ourselves of all the non-profitable, non-strategic companies which we bad in the group."

Glynwed's consumer and building products division increased profits before interest to £22.3m (£19m), on sales of £152m (£138m); steel and engineering profits rose from £17.3m to £22m on turnover of £247m (£218m), and tubes and fittings made £27.8m (£23.1m) from sales of £250m (£189m).

● COMMENT

Only 18 per cent of Glynwed's business comes from housing and consumer related operations in the UK, and a good chunk of that from premium brands like Aga and Rayburn cookers. It is a measure of the pessimism over interest rates, then, that the shadow of a consumer downturn hangs over the Midlands industrial group, in recent years one of the most consistent companies in the UK. Mr Davies says further disposals this year are very unlikely. Continued growtb may be fuelled by acquisitions, perhaps in plastics, and special or stainless steels. Glynwed foresees such deals being funded with cash, and is happy to see gearing rise to a ceiling of 40 per cent, against the year-end figure of 25 per cent. Taking the company's own earnings target as a reliable guide, pre-tax profits should increase to at least £107m in 1989. The shares – up 1p to 322p yesterday – are on a prospective p/e of about 9.5. That looks cheap, though the cautious investor might wait a few months before moving in.

Slough shares fall as its NAV rises 35% and its profits 22%

By Paul Cheeseright, Property Correspondent

SLOUGH ESTATES, the fourth largest British property investment and development group, yesterday disclosed a 35 per cent growth in its net asset value per share as a result of the momentum in the industrial property market.

The group, 87 per cent of whose property is in the industrial sector, said that at December 31 its fully diluted net asset valne per share was 382p (284p).

But for the market, which has been watching the varied indices of industrial property performance and had been expecting more, this increase was not sufficient and the shares rapidly slipped 10p to 326p.

Tbe rise in valne of the Slough's UK properties last year was 25.1 per cent, bnt some surveyors' indices of the industrial property market have been as high as 38 per cent.

Pre-tax profits for 1988 were 22 per cent higher at £75.1m. Basic earnings per share rose likewise to 19p. Shareholders are to receive a final dividend of 5.6p a share, for a 1988 total of 8.9p (7.3p).

Slough is in the middle of an extensive development programme with an eventual cost of about £1bn. Of this, £275m will be spent in the UK and £250m will be spent overseas, while a further £475m comes from the activities of Bredero, in which Slough has a controlling stake.

Although tbe staple of Slough's activities remains the provision of business space, both in the UK and abroad, growing emphasis has been placed on building up a retail property portfolio.

Sir Nigel Mobbs, chairman, said that 1988 had been a year of "significant progress" and he expected further growth in the industrial property market during 1989 althongh at a slower rate.

● COMMENT

Unsatisfied demand for industrial property has been playing into the hands of Slough and, with its extensive landholdings, it has not been necessary for the group to go out and pay silly prices for sites. This demand should continue for a few months yet unless something catastrophic happens to the economy, although rental growth this year should be less frenzied than 1988. That would point to further increases in the Slough NAV, perhaps to around 465p, pntting the shares after yesterday's fall on a discount of 30 per cent, not abnormal in the sector.

NMW £1.3m in the red

THE CONTINUED malaise in tbe securities industry prompted pre-tax losses last year of £1.33m for NMW Computers, the supplier of accounting services and systems. This compared with profits of £1.71m in 1987, writes John Ridding.

Turnover fell to £10.32m (£15.78m) and losses per share were4.6p (5.3p earnings). A 0.25p final follows no dividend at the interim stage.

Mr Nigel Banister, managing director, said that 1988 had proved to be a most difficult year following the crash of October 1987. Staff levels had fallen although the core technical development staff had been retained. He emphasised that NMW was developing new businesses in the data software and network services.

During the year NMW developed with BZW a new share trading system, Trade. In addition, NMW agreed a deal with the Stock Exchange concerning its own rival SAEF system.

● COMMENT

When the market sneezed in 1987 NMW caught a bad cold – and the ailment has proved chronic. The company appears to be doing the right things – cutting costs and diversifying away from the source of its losses. It is too early to say whether the new avenues will prove successful but there are encouraging signs in the data services division. There has also been interest from non-securities industries in its X-25 network. By being involved in both Trade and SAEF, NMW stands to benefit from increased trading automation. However, competition to supply front office products is fierce and the new business areas are unlikely to quickly bring significant returns. Conseqnently, prospects will remain heavily influenced by market activity. Despite these caveats 1989 sbould see a return to profits, with forecasts ranging from £500,000 to £1m. At the upper end, this pnts shares on a high prospective multiple of around 20.

Tyndall loss reflects the market crash

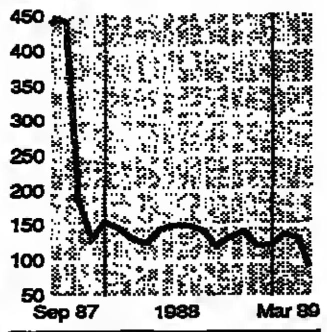
By Ray Bashford

TYNDALL Holdings, the international financial services group, carried a heavy legacy from the October 1987 market crash in its results for the year to December 31 1988.

Reflecting a broad exposure to the Australian equities market, the company returned a loss before tax of £1.2m com-

Tyndall Holdings

Share price (pence)



pared with pre-tax profits of £6.6m in the previons 12 months. The result includes an exceptional write-off of £9.8m in Tyndall Life, its Australian life insurance subsidiary.

City analysts last September were forecasting pre-tax profits of between £14m and £15m, however these have been drastically rednced in recent months.

The dimension of Tyndall's problems came as little surprise to the share market yesterday and the shares closed down only 2p at 96p.

The managing director described the results as disappointing and said that the poor performance in Australia masked the strength of other sectors of the business.

In addition to the £9.8m exceptional item, the company made an extraordinary charge of £4.3m in the previous 12 months to take into account the immediate effects of the October 1987 crash.

Directors yesterday said that the auditors' report on the accounts for December 31, 1987 found that the treatment of this sum of £4.3m as an extraordinary item did not comply with accounting practices.

To have complied with standard practices the sum should have dealt with an exceptional item which would have had the effect of pushing the company into a loss on ordinary activities before tax of £499,000 and a loss of 2.4p per ordinary share.

Mr Harrison was encouraged by the outlook of the group's banking operations. In the 12 months under review banking returned an operating profit of £2.3m (£1.4m) while investmemnt management activities in Australia contributed £1.8m (£2.5m) to the operating profit.

Directors have recommended that the final dividend be maintained at 3p a share which lifts the total for the year to 5.5p compared with 5p in the previous 12 months.

CORRECTION

Aaronson Brothers

Aaronson Brothers, tbe chipboard and bathroom products manufacturer, has sold the business and assets of its Spanboard subsidiary to a subsidiary of Sonae Industria e Investimentos, a Portuguese public company, for abont £8.4m. This was incorrectly reported in Wednesday's Financial Times.

UK COMPANY NEWS

Pessimistic Willis Faber declines 11% to £54m

By Nick Bunker

IN SPITE of its 1987 takeover of rival Stewart Wrightson, Willis Faber, London's second largest insurance broker, yesterday reported 1988 pre-tax profits down 11 per cent to £54.36m, with an even steeper 29 per cent fall in earnings per share to 18.5p.

Yesterday, Mr Roger Elliott, chairman since last October, was pessimistic about the marine and aviation fields, where he said "premium rates are under terrific pressure daily."

Willis was more confident about UK retail business, where it has been gaining market share, and about the impact of cost-saving measures.

Willis is maintaining its dividend at 11.46p, through a final of 7.61p. The shares closed 3p down at 229p last night.

The group has traditionally been viewed in the City as the Lloyd's insurance and reinsurance broker with the highest quality earnings, bolstered by long-standing business connections including its link with Johnson & Higgins, the privately-owned US broker.

Since 1987, however, investor sentiment has turned sharply against Willis, owing to mass defections by disgruntlad senior Wrightson executives, fears that the J&H relationship was weakening, plunging marine and aviation premium rates, and poor results from Morgan Grenfell, its 20 per cent owned associate. Morgan contributed £6.4m to Willis in 1988, against £11.9m in 1987.

● COMMENT

Buying Wrightson was Willis's chance to ensure that it stays in the running against the giants of Anglo-American insurance broking. Was the opportunity wasted? Willis Wrightson, the UK retail arm, has performed impressively, to be sure, and the enlarged group is better placed to reap the rewards from developments such as the creation of an electronic London insurance market in the 1990s. But now that Willis has seen off the awkwardly meritocratic upstarts among Wrightson's top management, the Elliott regime gives the impression of having turned inwards. Observers fear Mr Elliott, a Lloyd's marine and aviation man, will concentrate on an introverted search for more traditional business from traditional sources, rather than confront longer term challenges: static reinsurance demand into the next century, and the fact that employee benefits consulting, not pure broking, will boom in Europe post-1992. Nor will worries over the J&H connection fade quickly. Willis just might see profits advance to £65m in 1989, leaving it on a prospective multiple of about 14. Oversold? In the short-term, perhaps, but the fact that the shares fetch less than half what they did in 1987 is fully justified if Willis really lacks a viable long-term strategy.

Competition and weak US market hit HRGM profit

By Nick Bunker

RUTHLESS price-competition among insurers in London and the weak state of the US property/casualty insurance market hit insurance broker Hogg Robinson & Gardner Mountain in 1988, when its pre-tax profits fell 6 per cent to £10.5m.

Also contributing to the decline was the fall to the US dollar, the currency for most insurance transactions, which knocked £1.5m off the pre-tax result for the 12 months to December 30.

HRGM reported £3.3m (£3.8m) from its Lloyd's underwriting agencies, including its share in the results of Janson Green, which it sold in 1987.

It made great play yesterday of cost-control measures centred on a 4.5 per cent reduction last year in headcount in the UK. In HRGM's London wholesale division, dealing with areas such as marine insurance, reinsurance and political risks, the number of staff fell by 95.

HRGM has also emerged from tortuous litigation in which it was being sued for alleged breaches of contract and negligence in placing reinsurance treaties with NV Rotterdamse Assurantiekas between 1976 and 1982. HRGM has now settled the claims with a £2.6m payment, taken as an extraordinary item.

Turnover was up 5.4 per cent at £80.2m, with operating profits up 6.7 per cent at £8m. After tax of £4m, earnings per share were down 11 per cent at 11.28p. The total dividend will be 6.5p. This is the first full year dividend HRGM has paid since changing its year-end in 1988.

● COMMENT

The good news yesterday was that the profit margin on HRGM's core broking business has nearly doubled, to about 12.5 per cent, after the streamlining of its traditionally cost-heavy London wholesale operations. And at RHR, HRGM's US chain of independent insurance agencies, the group's orientation towards smaller commercial lines business has saved it from the worst price-cutting excesses by insurers. The bad news is that a wasting asset, Janson Green (which will cease producing profits for HRGM in 1992) still contributes so much to the bottom-line. Assume HRGM makes about £12m pre-tax this year, the prospective price-earnings ratio is about 12.5, on yesterday's closing share price of 160p. If that looks cheap, take out Janson Green's contribution and HRGM looks a less attractive share: unless, as the stock market has been feebly hoping for two years, a US broker or European insurer is about to bid.

Spirax-Sarco at £22.4m

By David Waller

SPIRAX-SARCO Engineering, the manufacturer of heat and fluid control equipment, reported 1988 pre-tax profits up 18 per cent from £18.95m to £22.4m.

Trading profits rose from £17.95m to £20.23m on turnover up 7 per cent to £106.05m (£98.76m), representing an improvement in margins from 18.2 to 19.1 per cent. Earnings per share were 19p (16.4p).

The proposed final dividend is 5.3p, which makes a total of 7.5p, up 17.2 per cent.

During 1988, the company did particularly well in continental Europe where profits rose from £3.2 to £4.23m on turnover of £28.57m, and Asia, where profits climbed from £1.71m to £2.7m on turnover up from £10.7m to £14.27m.

● COMMENT

Yesterday's figures from Spirax-Sarco were ahead of expectations and did much to demonstrate the company's perennial solidity. In a year when profits in the mature UK market fell, Spirax generated a 16 per cent increase in earnings and an improvement in margins to boot. Steam trap technology is basic to requirements in so many industries about the globe that a downturn in the UK or Latin America is always likely to be offset by an upsurge elsewhere. Last year, this came from Asia and continental Europe. Although growth will never be spectacular, the company's share of its geographical markets is small enough to allow it to power ahead reliably year in, year out, as it has done for the last 21 years. Analysts expect it to make £24m in the current year, putting the shares on a prospective multiple of over 12. This 15 per cent premium to the market reflects takeover speculation as much as fundamentals, but it should be remembered that the shares have strong defensive attractions and are more likely to outperform when the rest of the market is dragged down by economic uncertainties.

Substantial cut in Trilion loss

By David Waller

TRILION, the television and production company in which Brent Walker has a 28.5 per cent stake, yesterday reported a sharp return to financial health as it announced its figures for the year to September 30 1988.

A pre-interest loss of £1.99m in 1987 turned into a profit of £1.09m last year, although after interest, the company made a loss of £602,000 against £3.18m.

Most of the £1.69m interest bill arose in the first half; in the second half, the group's financial position was much strengthened by a £17m rights issue last May and the sale of the Limehouse studio on Canary Wharf for £25m.

The sale of the property gave rise to an extraordinary profit of £2.63m on the £12m book value of the site, arrived at after tax of £4.5m and costs associated with the relocation away from Docklands.

The company is now cash positive and at the year end had net assets of £20.85m.

Arcolectric marginally lower

Arcolectric Holdings, maker of electric switches and neon signal lamps, reported pre-tax profits marginally lower at £613,000 (£625,000) because of costs associated with expansion and new developments.

Turnover was £10.16m (£8.89m). Earnings per share came to 6.04p (6.37p). The dividend is increased from 0.88p to 0.96p with a final of 0.52p.

Joint company announcement

FREE STATE CONSOLIDATED GOLD MINES LIMITED (Freegold)
(Registration No. 05/28210/06)

EASTERN GOLD HOLDINGS LIMITED
(Registration No. 81/01548/06)

(Both companies incorporated in the Republic of South Africa)

CURTAILMENT OF CAPITAL EXPENDITURE IN THE ERFDEEL AREA OF FREEGOLD'S FREE STATE SAAIPLAAS MINE

In view of the present Rand per kilogram gold price and the high escalation of costs, it has become necessary to curtail capital expenditure in the Erfdeel area of Freegold's Free State Saaiplaas mine.

Work on the Saaiplaas No. 5 shaft will be stopped once it has been sunk to its final depth which is due to be reached during April/May 1989. Contracts currently in progress for surface infrastructure will be completed. Plans for the production build up from Saaiplaas No.4 shaft remain unchanged. The situation is being monitored on an on-going basis and shareholders will be advised of developments.

Johannesburg
March 30 1989

Joint company announcement

FREE STATE CONSOLIDATED GOLD MINES LIMITED (Freegold)
(Registration No. 05/28210/06)

FREE STATE DEVELOPMENT AND INVESTMENT CORPORATION LIMITED (Freddev)
(Registration No. 05/16931/06)

(Both companies incorporated in the Republic of South Africa)

POSSIBLE EXPLOITATION OF THE FARMS DU PREEZ LEGER AND JONKERSRUST

Shareholders are advised that to date it has not been possible to negotiate a mining lease over the above farms, (the mineral rights of which are held by Freddev) south of Freegold's President Brand mine, on terms which would enable the area to be exploited as a viable proposition. As a result capital expenditure necessary to exploit the area has been suspended.

Further representations will be made to the appropriate authorities in the near future.

Johannesburg
March 30, 1989

NOTICE TO THE HOLDERS OF TOYO SASH CO., LTD.

Warrants to subscribe for shares of Common Stock of Toyo Sash Co., Ltd. issued in conjunction with an issue of US$100,000,000 1⅞% Bonds due 1992

Pursuant to the Paying and Warrant Agency Agreement dated 30th June 1987, notice is hereby given as follows:

1. On 20th December 1988, the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of 31st March 1989 (Japan time) at the rate of 1 share per 1 share held.
2. Accordingly, the adjusted Subscription Price per share of the above-mentioned Warrants will be Yen 2,503 per share of Common Stock, with effect from 1st April 1989 (Japan time).

TOYO SASH CO., LTD.
By:
The Taiyo Kobe Bank Limited
Principal Paying Agent

Dated: 30th March 1989

LEGAL NOTICES

No 001139 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
LONDON & OVERSEAS FREIGHTERS PUBLIC LIMITED COMPANY
- and -
IN THE MATTER OF
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 23rd February, 1989 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of (a) the capital of the above named Company from £19,750,000 to £3,750,000 and (b) the Share Premium Account of the said Company by £3,613,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Peter Gibson at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 10th day of April, 1989.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 17th day of March, 1989.
Watson, Farley & Williams
Minories House, 2-5 Minories,
London EC3N 1BJ
Ref: SMS

SUMMIT WHOLESALES LIMITED

Registered number: 1927695
Nature of business: Cash & Carry Wholesale.
Trade classification: 12
Date of appointment of joint administrative receivers: 15 March 1989
Name of person appointing the joint administrative receivers: National Westminster Bank plc
CHRISTOPHER JOHN HUGHES and
ROGER WILLIAM CORK
Joint Administrative Receivers
(Office holder nos 141 and 080) of
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

THE ROYAL BANK OF CANADA
US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period 31st March 1989 to 28th April 1989 has been fixed at 10⅝ per cent per annum. On 28th April, interest of US$8.020833 per US$1,000 nominal amount of the debentures will be due for payment. The rate of interest for the period commencing 28th April 1989 will be determined on 26th April 1989.

ORION ROYAL BANK LIMITED
Agent Bank and Principal Paying Agent

U.S. $100,000,000
National Bank of Detroit
Floating Rate Subordinated Capital Notes due 1996

Notice is hereby given that in respect of the Interest Period from March 31, 1989 to June 30, 1989 the Notes will carry an Interest Rate of 10⅝% per annum. The coupon amount payable on June 30, 1989 will be U.S. $268.58 per U.S. $10,000 Note.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
March 30, 1989

UK COMPANY NEWS

Blackwood Hodge moves ahead by 24% to £15.5m

By Vanessa Houlder

BLACKWOOD HODGE, the earthmoving equipment distributor, yesterday announced a 24 per cent rise in pre-tax profits from £12.51m to £15.5m for 1988.

Turnover increased by 36 per cent to £412.52m (£302.93m). About half the growth in sales was due to acquisitions, principally Ferguson Supply in Canada, ACSAS in Australia and Linder in the US.

The company reported strong demand from its customers in the mining and construction industries and said that the early months of 1989 were generally up to its expectations.

It added that its export business faced a "challenging" year due to the parlous state of the Third World's finances. Exports from the UK increased by 8 per cent to £21.69m (£20.08m). This compared with a 39 per cent increase in domestic turnover.

The joint venture between Dresser and Komatsu in the Americas which will result in US-manufactured Komatsu products, was expected to provide long-term benefits, the company said.

In October, the company took a minority stake in Ekpac Blackwood Hodge, a Hong Kong-based construction equipment distribution company, which through its branches in Beijing, Guangshou and Shanghai, provides an entry into the People's Republic of China and the Far Eastern market.

The geographical breakdown of operating profits was: UK £3.19m (£1.61m); US £6.81m (£4.77m); Canada £7.35m (£4.6m); Australia £3.43m (£4.04m); Africa £1.83m (£1.68m) and rest of world £1.28m (£960,000).

In Australia, a property profit in 1987 masked a 35 per cent increase in 1988's like-for-like operating profit.

Gearing was reduced from 45 to 35 per cent. Earnings per share, on a net basis, increased by 13.3 per cent to 7.4p (6.53p). A final dividend of 0.9p (0.65p) per share was proposed, making a total of 1.5p (1.2p) per share.

● COMMENT

The frustrations faced by Blackwood Hodge are worthy of Catch 22. With 85 per cent of its business overseas, the company has a severe unrelieved ACT problem and cannot make full use of its tax losses. So until it makes a sizeable UK acquisition, the prospects of a sharply rising tax charge will continue to offset the group's good trading prospects and improved quality of earnings in the minds of investors. Accordingly, after yesterday's pleasing results, the shares were unchanged at 55.5p – which assuming the company makes profits of £18.5m this year – puts it on a p/e multiple of 7. The snag is that, at that level, the prospects of making a non-dilutive acquisition are none too promising. Thus, unless the deadlock ends up in a bid for Blackwood Hodge, the shares seem unlikely to outperform.

Acquisitive Sherwood rises 77% to £6.56m

By Alice Rawsthorn

SHERWOOD GROUP, which has built up a broadly based lingerie and lace group by acquisition, boosted pre-tax profits by 77 per cent from £3.71m to £6.56m in 1988, on sales which rose by 66 per cent from £28.64m to £47.64m.

Since going public on the USM three years ago, Sherwood has staged eight acquisitions in the related fields of lingerie and lingerie fabrics. Last month it diversified into mainland Europe by buying Dentex, a Dutch lace company which has factories in France, West Germany and the UK as well as in the Netherlands.

Mr David Parker, chairman, said every part of the group had increased sales and profits. Sherwood paid £1.07m (£685,000) in interest on year end gearing of 51 per cent and £1.91m (£1.02m) in taxation. Earnings per share rose to 39p (26.6p). The final dividend is 3.9p making a total of 5.5p (4.5p).

During the year Debfor, the lingerie division, increased its bra capacity by buying the Lovable factory in Glasgow. That is now being refurbished and Sherwood intends to expand the workforce from 150 to 250 within three years.

Debfor has since diversified into swimwear through the acquisition of Richard Cooper, which makes bras and swimsuits, from Coats Viyella. The Richard Cooper factory in Buxton, Derbyshire has been added to the group's Halle Models subsidiary to increase its production capacity for night and children's wear.

The Birkin lace business was expanded by the addition of new computerised machinery and by the purchase of traditional Leavers machines, for fine laces, from the US.

Textile Finishing, which dyes and finishes lace, returned to profit during the year. The business was at break even when it was acquired in early 1988. Sherwood has also invested in additional capacity at Floral Textiles, the household lace manufacturer, and Clutsom & Kemp, which makes elastomeric facbrics for use in lingerie.

Mr Parker said Sherwood was eager to expand further in mainland Europe – probably through acquisitions in France and West Germany – although it intended to stay within the same specialised areas. By the early 1990s he expected the majority of group sales to come from outside the UK.

Psion organises leap to £19m

By Alan Cane

PSION, the UK microelectronics company specialising in hand-held computers which came to the USM a year ago, improved its revenues by 63 per cent to £19.2m in a year which saw strong growth in its international activities.

Pre-tax profit was up 48 per cent at £2.76m (£1.86m). Earnings were 10.44p (8.69p) and the dividend is 1.2p.

Dr David Potter, chairman and managing director, said if the company had been quoted for the full year total dividend would have been 2p. In future, interim and final payments will be made. The results for Dacom Systems, acquired at the end of the year, have not been consolidated.

Dr Potter was confident growth in revenues would be maintained in 1989. The principal product, the Organiser electronic notebook, continued to sell well and monthly production had been increased from 11,000 in January 1987 to about 18,000 at the end of the year.

He thought there would be a strong market for the Organiser and its variations until at least 1992-93.

This year Psion intends to launch the first products derived from a clutch of new technologies it has pioneered, including a system for extending the working life of portable computer batteries from a few hours to several months. The first product is expected to be a laptop sized computer.

Dr Potter thought that portable computers and other devices based on Psion's new technology would eventually take over from the Organiser line, suggesting that Psion would be able to shake the tag of being a one-product company.

International sales more than doubled in cash terms with the US operation breaking even in the second half of the year. Dr Potter said Psion's strength in foreign markets was the best indication that it could become a very substantial European computer company.

Sharp increase at Ossory

OSSORY ESTATES showed substantial growth in the six months ended December 31 1988, with turnover up from £10.28m to £12.45m and pre-tax profit from £1.19m to £4.41m.

The profit increase took account of surplus on sale of investment properties £867,000 (£146,000), and higher administrative expenses and interest.

Mr M J Walker, chairman, said rental income was currently exceeding £5m annually, and maintenance of that growth continued to be at the core of the company's philosophy. The development programme was progressing well.

A public inquiry opens soon into the company's application to re-develop its site at Kew, but meantime gross rental income from the site exceeds £700,000 per annum.

Earnings were 1.5p (0.6p) and the interim dividend is lifted to 0.3p (0.15p).

New England Props achieves £1.5m

New England Properties, USM-quoted investor and developer which is part of the consortium developing London's County Hall, made a profit of £1.5m for 1988 after returning to the black halfway.

Earnings were 1.3p (1.1p) and there is a dividend of 0.3p, the first for many years. Turnover was £3m (£924,000). The 1987 pre-tax profit was £829,000 and included £859,000 exceptional credit. At December 31 net asset value was 26.2p (16.9p).

Melville ahead 79% to £2.11m

Reporting for the first time since joining the market, Melville Group disclosed a 79 per cent advance in pre-tax profits for the half year to December 31.

On turnover ahead from £28m to £49m, profits came to £2.11m (£1.18m). Excluding benefit from the cash proceeds of flotation, the underlying profit growth was 58 per cent, said Mr Edwin Bisset, chairman.

The group is split into three divisions – building services, which made profits of £1.53m (£807,000); engineering which contributed £249,000 (£138,000), and construction with£338,000 (£235,000).

Earnings worked through at 4.87p (3.41p) and there is an interim dividend of 1.5p.

Prospective up 33% to £2.76m

Prospective Group, the USM-quoted marketing services consultant formerly known as Pineapple Group, achieved a 33 per cent rise from £2.08m to £2.76m in pre-tax profits in the six months to January 31.

Turnover almost doubled to £32.81m (£16.53m). After tax raised to £995,000 (£728,000), earnings per share rose to 4.45p (4.04p). There was an extraordinary debit of £481,000 (nil). The directors declared a maiden interim dividend of 0.5p.

The group said it had made considerable progress towards its major objectives during the period, although interest rates of 13 per cent were producing short-term pressure on profits. It added that the medium-term outlook remained exciting.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Beazer, Cooper (Frederick), Murray Ventures, Town Centre Securities.

Finals- Alida, Anglo Eastern Plantations, Avdel, Burmah Oil, Clifford Foods, Clinton Cards, Corporate Estate Props, Jeyes, Lambert Howarth, London & Scottish Marine Oil, Macfarlane (Clansman), More O'Ferrall, North Sea & Gen, Plasmec, United Newspapers, Weir.

FUTURE DATES

Interims-	
Wade Potteries	Apr. 26
Finals-	
ATA Selection	Apr. 6
British Dredging	Apr. 5
CI	Apr. 25
Co-Operative Bank	Apr. 4
Davey Warren	Apr. 6
Foseco	Apr. 12
Home Counties Newspapers	Apr. 10
Jacks (William)	Apr. 12
Jerome (S)	Apr. 5
Pergamon	Apr. 10
Scottish Television	Apr. 7

UK COMPANY NEWS

Construction boom boosts Marley 27% to £70.22m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS at Marley, the building materials and motor components group which has been substantially restructured by Mr George Russell since he became chief executive in 1986, rose by 27 per cent to £70.22m last year.

Turnover, following the disposal of several businesses last year, rose by 5 per cent from £571.95m to £600.32m in the year to the end of December. Earnings per share increased from 14.2p to 17.1p.

Earnings were boosted by the increased profits from property development – trebled to £9.8m. Operating profits from the core manufacturing businesses rose by just over a fifth to £64.5m despite a fall in motor component profits from £5.6m to £4m.

Mr Russell said the fall was due to start-up costs associated with two new orders and a strike at Ford last February.

Profits from building materials rose by more than a quarter to £60.4m assisted by the construction boom in the UK. The biggest gains came from concrete blocks with operating profits up by 58 per cent to £19m. Profits from roof tiles advanced 31 per cent to £14.4m.

Profits from brick sales fell slightly from £12.9m to £12.6m with increased profits in the UK wiped out by falls in the US. Profits from plumbing and other plastic products rose 35 per cent to £9.7m. Flooring profits were virtually unchanged at £4.8m.

A final dividend of 4.25p (3.35p) makes a total of 6.35p (5p) for the year.

● COMMENT

The restructuring of Marley has taken place during two very good years for construction output in the UK. The question is where does the group go next – now it has put its house in order and the construction boom may be peaking. Building materials last year produced four-fifths of group profits, of which about 60 per cent came from new housebuilding. In the UK the housing market is under pressure in south-east England, East Anglia and parts of the Midlands, although house sales are still racing ahead in the north. The US housing market is entering its third year of recession although sales in the south-east where Marley is based have not been as badly affected as in Texas and in the north-east. The refurbishment market and industrial and commercial building in the UK, on the other hand, are still going great guns. Profits given about the same again from motor components and property could be about £80m this year putting the group on a p/e of just over 9. This rating is slightly high for the building materials sector but reflects continuing speculation about a possible bid for Marley.

BHH more than doubles to £7.32m

BHH GROUP, the principal activities of which include property development and investment, construction and property management, reported pre-tax profits more than doubled from £2.64m to £7.32m in the year to end-December 1988.

This result was struck on turnover up from £20.15m to £62.6m. Tax took £3.46m (£1.1m) and interest payable totalled £3.63m (£1.88m) leaving earnings per 50p share at 10.8p (4.65p).

After taking into account a net extraordinary credit of £913,000 (£240,000) earnings worked through at 13.36p (5.4p). A final dividend of 2.75p is proposed making a total for the year of 4p (1.25p).

The company said that its sphere of operations had been refined and management had been restructured to reflect the changes. The profits figure comprised £7.41m (£3.77m) from continuing operations and £3.54m (£747,000) relating to discontinued activities.

A significant element in the corporate reorganisation programme was the management buy-out of its housebuilding division, which with a surplus arising from the sale of a number of properties had enabled the group to take advantage of market conditions.

Worcester lifts market share and profit

By Clay Harris

WORCESTER Group, the central heating manufacturer, lifted its pre-tax profits by 60 per cent to £5.01m in 1988, a year when it continued to increase its share of the growing UK market for "combi" domestic boilers – which require neither hot-water cylinders or cold-water expansion tanks.

Mr Cecil Duckworth, chairman and chief executive, said Worcester had increased unit sales by about 50 per cent. This compared with growth of 25 per cent in "combi" sales by all manufacturers. In a static UK domestic boiler market, "combi" units now accounted for nearly 20 per cent of sales.

Mr Duckworth said he expected the same pattern to prevail this year despite the mild winter and higher interest rates. "I think it's clear that the market is stagnant at best and likely to fall," he said. Nevertheless, Worcester was likely to maintain its growth rate.

A new factory to be built near Worcester is due to be completed by the spring of 1990. It will double manufacturing capacity, which was stretched by heavy demand last year.

In 1988, the pre-tax advance from £3.14m was achieved on turnover ahead by 35 per cent to £39.5m (£29.2m). Profits at Worcester Heat Systems, the core business, rose by 64 per cent to £3.91m on sales ahead by 57 per cent to £28.5m. Worcester also makes steel frames for buildings and packaging products.

Tax charge jumped to £1.58m, for a rate of nearly 37.5 per cent, from £1.07m (34 per cent). In part, this reflected the exhaustion of carried-forward tax losses and the continued erosion of expenses allowed as deductible by the Inland Revenue, said Mr Nigel Collis, finance director.

However, about £80,000 of the charge related to the company's under-provision of tax in 1985 and 1986. This was caused by double counting of tax losses in one subsidiary, Mr Collis said.

Earnings per share rose by 52 per cent to 13.8p (9.1p). A final dividend of 1.98p will raise the total by 40 per cent to 2.9p (2.06p).

● COMMENT

As the UK pioneer in the "combi" market, Worcester is now being paid the compliment of competition from conventional boiler manufacturers. This could put pressure on margins, but it is more likely that any increased publicity for the product will rebound disproportionately to Worcester's advantage. Assuming pre-tax profits of £6m for the current year, the prospective p/e is between 13½ and 14, depending on the tax charge. Growth prospects justify the premium rating, but there is only a narrow market in the tightly held shares. An acquisition-linked share issue might help to remedy this, if directors and friends can be persuaded to ease their control.

Troubled Rodime to announce results this week

By James Buxton, Scottish Correspondent

RODIME, the Scottish-based disk drive manufacturer which has been making heavy losses, said yesterday it intended to announce its results for the year to September 30 1988 by tomorrow – the last day permitted under Stock Exchange regulations. It normally produces its annual results in late November.

On Tuesday the company announced the resignation of Dr Ian Preston, who joined the board as a non-executive director last June. It said that Dr Preston, who is deputy chairman of the South of Scotland Electricity Board, resigned because of increasing business commitments.

The company yesterday insisted that his resignation was unconnected with its situation. Dr Preston was not available for comment.

Rodime, which makes disk drives at Glenrothes, Scotland, and in Florida and Singapore, has been experiencing difficult trading conditions. It blamed the "very weak condition" of the world disk drive industry for its decision in January to cut the staff at its Glenrothes plant by 20 per cent to 337.

In the nine months to June 30 1988 Rodime lost $8.49m (£5m) on sales of $78.67m. Last autumn it said it was trying to put together a financial package worth about $20m. No package has been concluded.

Rodime recently received what appeared to be a boost when the US Patent Office, after re-examining its patent on the 3.5 inch hard disk drive, re-issued it. This prompted itto step up lawsuits for patent infringements against a number of competitors.

Barry Wehmiller advances 44%

Barry Wehmiller International, the specialist packaging equipment group, yesterday reported a 44 per cent expansion in pre-tax profits for the six months to end-January 1989.

The advance, from £2.15m to £3.1m, was posted on turnover ahead 49 per cent to £22.1m.

The group has embarked on a programme of acquisitions since its market debut in the summer of 1987. Mr Nigel McLean, chairman, said that the four purchases made during the period under review had been successfully integrated. All divisions increased revenues and margins.

After tax of £806,000 (£449,000), actual earnings worked through at 9.2p (7.5p). The interim dividend is raised to 1.8p (1.5p).

Pharmaceuticals feature in 70% rise at Grampian

By John Thornhill

GRAMPIAN Holdings, the Scottish industrial conglomerate, lifted pre-tax profits by 70 per cent, from £6.14m to £10.43m, in 1988.

The company also announced yesterday that it was strengthening its pharmaceuticals business through the purchase of 95 per cent of the capital of Micro-Biologicals for £2.14m.

Micro-Biologicals, based in Fordingbridge, Hampshire, manufactures and distributes animal health and hygiene products. In the year to March 31 last it made pre-tax profits of £294,000 on turnover of £3.25m. Net assets at that date were £612,000.

Grampian's turnover jumped by 83 per cent from £59.33m to £108.68m. Earnings per share rose from 14.04p to 18.53p. A final dividend of 3.8p will make 5.5p (4p) for the year, and there is a one-for-two scrip.

The pre-central costs profit breakdown by division was: pharmaceuticals £4.04m (£1.4m); sporting goods £3.02m (£2.25m); transport £2.68m (£2.43m); and retail £1.21m (£405,000).

Mr William Hughes, chairman and chief executive, said pharmaceuticals had benefited from increased efficiency and the full integration of four acquisitions made in 1987. He claimed that the division was now the leading British company in its field with turnover up to £26.36m (£9.73m).

The sporting goods division which includes the brand names Mitre, Sayers, Penfold and Patrick, more than doubled turnover to £36.48m in 1988. Patrick, the French sporting goods company, bought in 1987 for £2.2m, contributed £225,000 in profits and £18.34m in sales.

Grampian's transport companies grew organically and showed an 11.5 per cent increase in turnover to £25.85m.

Pitlochry Knitwear, bought in May for £5m, was merged with Grampian's Moffat Woollens and helped the retail division more-than-double turnover to £19.98m.

● COMMENT

Despite Grampian's diversity of interests, its divisions all have one thing in common: they produce healthy profits. The company has an admirable knack of knowing which markets it can thrive in and perhaps, more importantly, those which it can do little in. One example of this is its decision to reshape its retailing business by withdrawing from the high street where it does not feel comfortable. The pharmaceuticals and sporting goods divisions will probably be the main engines of growth in the next few years; Grampian knows the markets well end can expand organically and by acquisition, as was shown again yesterday. It may find continental markets more difficult to prise open but considerabla earnings growth still seems likely this year. This will, however, be checked slightly as the tax charge will rise from 29 per cent to about 31 per cent. Pre-tax profits may climb to over £13m giving a prospective p/e ratio of 15 at a well-deserved premium to the market.

COMMODITIES AND AGRICULTURE

Fresh tin price surge adds to export quota doubts

By Wong Sulong in Kuala Lumpur

THE KUALA Lumpur tin price leapt yesterday to a new 3½-year high, adding to doubts about the future of the export quota system operated by members of the Association of Tin Producing Countries. Malaysia, biggest of the ATPC producers, said it was in favour of allowing the so-called "supply rationalisatiou scheme" to lapse if the market situation had returned to normal.

"The ATPC supply rationalisatiou scheme is not price-fixing. Its objective is to deplete overhanging stocks, and if the market situation has returned to normal, there is no need for such a scheme," explained Dr Lim Keng Yaik, the Malaysian Minister of Primary Industries.

Dr Lim's comments reinforce the views of many miners that the market is curreotly in equilibrium, with probably less than 20,000 tonnes of stocks, as against the 38,000 tonnes estimated by ATPC.

A senior Malaysian mining official pointed out most of the existing stocks were in the form of concentrates, and the market was extremely tight because the smelters were not able to produce enough of the metal to meet demand.

The two Malaysian smelters in Penang, the largest in the world, said they were working at full capacity, and had recently increased their smelting charges by more than 50 per cent.

Dr Lim said the meeting of tin producers and consumers which began in Geneva yesterday would probably come up with an accurate assessment of world stocks. The aim of the meeting, scheduled to go on until April 7, is to set up an international tin study group to fill the gap in statistics gathering left by the 1985 collapse of the International Tin Council.

He said the executive committee of the ATPC would meet in Kuala Lumpur on April 10, and if members felt the market had returned to normal, the supply rationalisation scheme, now in its third year, would be allowed to lapse.

The seven ATPC members had fixed an allowable export quota of 106,400 tonues for themselves for the next 12 months.

On the Kuala Lumpur Tin Market yesterday, the metal closed 21 cents higher at 24.82 ringgit a kilogram (£5,280 a tonne). Buyers opened their bids for 401 tonnes, and bids and offers were finally matched at 139 tonnes.

Traders say considering the strength of the market, the 25 ringgit level was likely to be breached in the next couple of days.

Gold price 'could bounce back'

By Kenneth Gooding, Mining Correspondent

THE PRICE of gold could bounce back strongly from the current level of under $390 a troy ounce hnt is unlikely to move above $450 in the years to 1992, according to a study published today by the Economist Intelligence Unit.

It suggests bearish influences, reinforced by major forward sales by Australian and North American producers, will only temporarily overwhelm very robust demand for gold but could take the price down to between $350 and $300 an ounce.

The stndy implies that today's sell off of gold in the face of strong demand is analogous to the one which occurred in the mid-1970s. Once that had run its course, prices rose strongly in response to the fundamentals.

On this occasion too, the study argues, gold's price weakness reflects a widespread misreading of fundamentals which will reassert themselves to carry the price upwards again.

The study suggests that at prices below $450 an ounce there should be a quick response from the jewellery industry, which is likely to absorb an extra 100 tonnes of gold for every $50 fall in the price. Below $350 an ounce mine output would also be seriously affected.

"At a price of abont $325 an ounce the market in 1992 would balance withont the need for any private investment offtake at all. Only once in the past nine years – in 1981 – has investment demand been close to nil.

"If this is considered unlikely to happen again in the years to 1992, then it is equally unlikely that the floor of $325 or so an ounce will be tested," the EIU points out.

The study argues that, a gold price near the 1987 average of $446 an ounce, is likely to lift mine production in the non-communist world to nearly 1,700 tonnes in 1992 compared with 1,373 tonnes in 1987. This would represent an average annual increase from 1987 of 4.3 per cent against 5.5 per cent between 1982 and 1987.

That prediction assumes that the recent decline in Sonth African prodnction will be moderated hut not reversed and that the easy gains in gold prodnction in Australia and North America have already been made.

The EIU believes total gold supply, including communist country sales and scrap generation, would rise rather more slowly than mine output but at 2,540 tonnes in 1992 would be more than 460 tonnes higher than in 1987.

On the demand side, the EIU study suggests that, at a price close to $450 an ounce, fabrication (mainly jewellery) demand and official purchases would together would account for an extra 345 tonnes a year by 1992. That implies a 4 per cent annual average growth in fabrication demand, largely due to a 4.8 per cent increase in offtake for gold jewellery.

"Gold to 1992: New Mines and Stronger Markets," from the EIU, 40 Duke Street, London W1A 1DW. £140 in the UK and rest of Europe; US$295 in North America and £143 in the rest of the world.

Bargain hunters boost coffee market

By David Blackwell

COFFEE PRICES fell to the lowest levels seen for more than six months in London yesterday morning before recovering sharply to close well ahead.

The May robusta contract on the London Futures and Optlons Exchange (Fox) slipped through the £1,050 and £1,040 a tonne chart support leveis on technical selling amid *gloomy sentiment about talks* next week on the future of the international coffee agreement.

Bnt bargain hunting emerged, and prices rose to £1,100 a tonne at the close, a gain of £37 on the day. Dealers were unable to give a reason for the strong recovery, although one analyst suggested that rumours from Brussels hinting that the European Community had softened its tough stance on the agreement had helped to push prices up again.

The International Coffee Organisation talks begin on Monday and both consumers and producers are already beginning to draw up the battle lines. But previous clashes have not shown any signs of haste to reach agreement, even though the deadline is only six months away.

Yesterday the US, the biggest consumer, said it was content to let others find a way through the tangle of issues threatening the pact and would *consider anything except staying* in the agreement with the problems unresolved.

Baltic to lose one of its top futures traders

COLEY AND Harper, one of the most active traders on London's Baltic Futures Exchange (BFE), is to stop dealing in futures, writes David Blackwell.

Mr Alan Harper, chairman, said yesterday that the company's futures operations were only a marginal profit earner for Goode Durrant, the company which bought Coley two years ago. He blamed the high costs of operating since the Financial Services Act took effect, pointing out that fees to the Association of Futures Brokers and Dealers had been almost £20,000 this year.

The decision affects trading in potatoes, wheat, barley, soyabean meal and meat futures, as well as Baltic International Freight Futures Market (Biffex) contracts. Mr Harper is chairman of Biffex and vice-chairman of the BFE.

Coley will concentrate on physical trading of dried fruit and seeds.

China's coal exports becalmed

Lynne Curry examines the problems restricting overseas sales

SOARING DOMESTIC consumption end severe transportatiou problems are expected to restrict China's coal exports severely for at least two more years, until new rail and port infrastructure projects can be completed.

"Coal exports will not show a big change until after 1990," one Asian trader said. "Perhaps then, China will be able to increase its tonnage because the basic situation will be improved with the aid of new rail lines and port facilities in Qinhuangdao (in the north-east)."

Traders expect the country's coal exports this year to remain around last year's level of 16.3m tonnes, a 22 per cent increase from about 13.4m tonnes in 1987.

Raw coal production last year rose by 2 per cent to 948m tonnes from 925m in 1987 and 864m in 1986 bnt, with China relying on coal for about 70 per cent of its energy needs, industry officials believe strong domestic demand is likely to force a cut in exports to Enrope. The country would simply let short term contracts with European countries expire, one observer said, adding that Peking would still honour its long term agreemeuts, most of which are with its Asian neighbours. China's main European markets are France, Holland, Italy, Belgium, and the UK. In Asia it sells coal to Japan, North Korea, Hong Kong, the Philippines, Singapore, and recently South Korea.

In addition, China's coal exports to Europe are not believed to be as financially critical to the country's foreign exchange balance as those to Japan or otber Asian countries. The Chinese are reported to be selling coal at bargain prices to Europeans to gain a foothold in the market.

Peking may be able to offer cheap freight rates to Europe, traders say, because coal is transported on state-owned Chinese vessels. The Government is forced to be more competitive because other inexpensive, high quality sources of coal are available to European buyers. Japan, for example, is thought to be paying a higher price for its coal because, unlike the Europeans, it has no other nearby source.

The amount of coal sold to Japan is fixed under the terms of a long-term government-to-government agreement, while the price is negotiated annually.

The likely curtailment of coal exports to Europe would be the result of severe coal shortages, a railway network that is hard pressed to meet demand, and soaring industrial consumption. The recent rapid growth in industrial output has boosted demand for coal for power generation and steel making. Inadequate supplies have caused some factories to work shortened weeks and slow production. This is particularly true in the north-eastern industrial belt and the provinces of Guangdong, Fujian, Hunan, Guangxi, Hubei, and Sichuan. The present tightness shows no sign of easing in the immediate future.

"This is not temporary, but will last for a long time," said Yuhong 'en, president of China's Coal Corporation, according to the official Xinhua news agency. "Even if coal production reached 1.4bn tounes by 2000 as planned, there will still be a shortage of between 100m to 200m tonnes."

The shortages are exacerbated by the country's serious transportation problems. Coal fields are dotted around the country, with the most significant areas located in north-west and North China in Shanxi, Xinjiang, and Inner Mougolia. Coal must he shipped from these mining sites and smaller fields in other provinces to the more industrialised east.

However, a shortage of tracks and rolling stock has placed severe strain on the ability of china's rail network to move the supply efficiently. In addition, the Ministry of Railways has reportedly been reluctant to transport coal because the freight tariff it can charge is too low. In the winter, the Government has stipulated that moving coal by rail should receive priority, but the state-controlled price for shipping it has not risen for more than 30 years. The ministry, it is claimed, prefers to transport more profitable cargo like machines, electrical appliances, and industrial products.

While the cheapness of coal makes it attractive abroad, traders said Chinese coal was considered to be inferior to coal from other countries. Most buyers would prefer coal from other sources where the supply is less contaminated and less likely to react with the atmosphere. When coal is stockpiled for excessive periods because of lack of transport, as often happens in China, its quality deteriorates.

These difficulties have been compounded by other problems. Overall ontput has grown only marginally, with few new large scale mines being developed; ontdated equipment is not being replaced because of inadequate funds; and raw materials needed for coal production now cost more.

Peking is now taking steps to address these issues, however. *The Ministry of Railways* is believed to be discussing some adjustments to its charges.It is also developing new rail lines and expanding some existing port facilities. The most significant projects are the construction of a second fully electrified rail line from Datong in Shanxi to Qinhuangdao, the country's main coal handling port located in the north-east, and the addition of new coal loading facilities at that port. Both the railway and the port are expected to begin normal operation at the end of this year.

Qinhuangdao handles more than 70 per cent of China's coal exports and when it is in full operation, it will be the biggest coal *handling port* in the world, with an annual capacity of over 70m tonnes.

The Central Government has also moved to improve the conditions which led to a backlog of vessels waiting to load and unload their cargoes in Qinhuangdao and other ports last summer.

The Chinese have suspended the coal export licences of some agents, including China International Trust and Investment Corporation, and have also set limits on exports to some new customers. Coal can now only be exported through the China National Coal Import and Export Corporation.

Other steps are being taken to improve output of coal for export. The joint venture involving Occidental Petroleum Corporation, the China National Coal Development Corporation, and CITIC in the huge open pit An Tai Bao coal mine in Shanxi province has reportedly resolved some of its worst technical difficulties. Coal produced from the mine last year contained too much moisture, and correcting the problem involved renovating the production lines in the mine's dressing plant. The work is expected to be finished by the end of 1989.

This year, the mine hopes to produce 8.5m tonnes of coal, of which 5.6m will be exported, traders said. Although that would be an improvement over 1988, production would still be well short of the original design capacity of 15m tonnes.

Big decisions loom on Venezuelan mine venture

By Joseph Mann, *recently in Maracaibo*

PARTNERS IN Veneznela's largest coal mining venture will be making "big decisions" this year that will push the project from a current produc*tion capacity of 1.5m tonnes* a year to more than 6.5m tonnes, according to Mr Luis Urdaneta, president of Carbones del Zulia (Carbozulia), the Venezuelan Government's participant in the group.

These decisions on the project, to require an investment of between US$400m and $500m, will cover major items such as equipment to be used for coal transportatiou and export (a railway and port facility), a financing plan and basic and detailed engineering.

Last year Carbozulia, Arco Coal and Agip Coal set up a joint venture called Carbones del Guasare S.A. to develop the large reserves of the Guasare coalfield located in the western state of Zulia.

Since 1987, Carbozulia has been mining and exporting coal on a limited scale, and last year exported the largest volume to date, 773,000 tonnes. About 74 per cent of the total was sold to clients in Western Europe, while 21 per cent went to the US and 5 per cent to the Caribbean.

Now that the three partners have formally established a joint venture, the new company – Carbones del Guasare – plans to move ahead with large investment in order to raise production capacity substantially. Recently approved rules covering debt equity swaps and a devaluation of the Veneznelan currency earlier this month should provide incentives for foreign investors to make decisions soon on the coal mine and other major projects requiring capital from overseas, a government official said.

Mr Urdaneta said that Guasare steam coal has been "very well accepted" by clients and that this year's projected output of 1.5m tonnes has almost all been placed. Guasare Coal International, the group's marketing arm, has already obtained one year's sale contract with overseas' huyers with options for 1990 and beyond.

Proven coal reserves in the Paso Diablo sector of Guasare, where mining is being carried out, are put at 400m tonnes. Around 300m tonnes of this can be removed through open pit mining.

Total coal reserves for the Guasare field are estimated to be much larger than 400m tonnes.

Carbozulia, which is wholly owned by the Venezuelan *National Oil Company,* holds 49 per cent of shares in Carbones del Guasare, the company set up to develop the Guasare mine, while a consortium made up of Arco Coal and Agip Coal holds 48 per cent. The remaining 3 per cent will be sold to private investors.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,075-2,140 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.40-6.60 (6.50-6.65).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.15-7.40 (7.20-7.50), sticks 7.15-7.40 (7.20-7.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.40-7.70 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 255-285 (260-285).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.80-3.90 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warebonse, 7.50-8.30 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-65 (55-64).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 9.90-10.20 (10.20-10.50).

URANIUM: Nnexco exchange value, $ per lb, UO, 11.60 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL PRICES breached another chart support level yesterday as the recent downward trend was resumed on the London Metal Exchange. Tuesday's $125 rally was quickly surrendered as the cash price headed down to a 3½-month low of $15,550 a *tonne, down $725 on the day. In the* three months position support around the $15,800 level fell away allowing a $637.50 fall to $15,325 a tonne – and traders were talking of a possible test of the $15,200 chart point, the breaching of which might signal further substantial losses. They thought European consumers had covered medium term requirements, while smaller users were holding out for still lower prices. Copper prices also fell back, with the cash LME quotation ending £42 down at £1,875.50 a tonne. Dealers said the fall reflected the trend on the New York market.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.30-6.45z	-.125
Brent Blend	$18.25-8.35q	-0.15
W.T.I. (1 pm est)	$19.98-0.03z	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$230-232	+1
Gas Oil	$156-158	
Heavy Fuel Oil	$91-93	+1
Naphtha	$182-184	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$382.25	-5.00
Silver (per troy oz)♣	578c	-13
Platinum (per troy oz)	$524.25	-10.35
Palladium (per troy oz)	$155.5	+5.5
Aluminium (free market)	$1985	-30
Copper (US Producer)	147⅝-151c	+1
Lead (US Producer)	37.5c	
Nickel (free market)	7.0c	-20
Tin (European free market)	£5452.5	+100
Tin (Kuala Lumpur market)	24.82r	+0.21
Tin (New York)	416c	+3
Zinc (US Prime Western)	95¾c	
Cattle (live weight)†	111.16p	+2.43*
Sheep (dead weight)†	220.65p	+15.3*
Pigs (live weight)†	82.66p	-0.86*
London daily sugar (raw)	$281.4v	+5.0
London daily sugar (white)	$312.2v	+4.7
Tate and Lyle export price	£277	+4
Barley (English feed)	£115.50q	-0.75
Maize (US No. 3 yellow)	£132.5	
Wheat (US Dark Northern)	£128.25v	
Rubber (spot)♥	58p	
Rubber (May) ♥	68.00p	
Rubber (Jun) ♥	68.25p	
Rubber (KL RSS No 1 Apr)	298.0m	-0.5
Coconut oil (Philippines)§	$540v	
Palm Oil (Malaysian)§	$305q	
Copra (Philippines)§	$355	
Soyabeans (US)	$201q	
Cotton "A" Index	68.05c	+0.15
Wooltops (64s Super)	656p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar/Apr. q-Apr. x-May/Jun. w-Apr/Jun. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	011	803	013 805
May	010	810	821 012
Jul	825	019	827 820
Sep	835	827	836 829
Dec	864	856	864 860
Mar	854	846	853 846
May	855	846	855 848

*Turnover:*3052 *(3773) lots of 10 tonnes*
ICCO indicator prices (SDRs per tonne). Daily price for Mar 28:1052.48 (1052.46):10 day average for Mar 29:1077.90 (1081.02).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1085	1078	1085 1055
May	1100	1063	1095 1037
Jly	1049	1019	1048 1000
Sep	1029	1002	1025 990
Nov	1020	1000	1015 990
Jan	1010	1003	1014 990
Mar	1015	1003	1005 990

Turnover:5693 (3624) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 28: Comp. daily 112.08 (114.10): . 15 day average 117.88 (118.39).

SUGAR ($ per tonne)

Raw	Latest	Previous	High/Low
May	268.00	252.40	272.20 252.00
Aug	271.00	254.20	272.00 254.00
Oct	267.00	249.90	271.00 251.60
Dec	250.00	243.00	250.00
Mar	248.00	244.00	246.00
White	**Latest**	**Previous**	**High/Low**
May	325.00	309.00	321.00 309.00
Aug	323.20	310.00	323.20 309.00
Oct	315.00	299.00	307.00 300.00

Turnover: Raw 4509 (2035) lots of 50 tonnes. White 1525 (1017).
Paris- White (FFr per tonne): May 2010, Aug *1995, Oct 1910, Dec 1890, Mar 1970, May 1960.*

WOOL
There is no test of wool values at auction this week and all markets of relevance have been closed for the weekend, some for the full week. In the UK several firms have added annual holiday entitlement to the easter break. New market features are not easy to find apart from movement in exchange rates. These include some softness in sterling against the Australian as well as the US dollar. There is little upward movement in Bradford quoted prices to match this at present. Business did develop on the Bradford top market just before the holiday weekend, when some home trade spinners moved in to cover needs a little further ahead. Prices remain very competitive but some of the cheaper sellers have been eliminated.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,425 tonne
Cash	1990-5	2015-20	2005/2000	1995-2000		
3 months	1956-60	1983-5	1965/1945	1968-70	1940-5	29,843 lots
Copper, Grade A (£ per tonne)						Ring turnover 23,225 tonne
Cash	1875-6	1915-20	1900/1875	1886-90		
3 months	1772-3	1798-80	1785/1771	1783-4	1774-5	65,784 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	573-6	588-9		580-1		
3 months	589-91	601-4		595-6		501 lots
Lead (£ per tonne)						Ring turnover 4,750 tonne
Cash	342-3	345-7		346-8		
3 months	333-4	336-7	339/334	336-7	333-5	8,253 lots
Nickel ($ per tonne)						Ring turnover 1,392 tonne
Cash	15500-600	16250-300	15800	15750-800		
3 months	15300-50	16050-75	15900/15250	15475-500	15300-400	6,652 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,425 tonne
Cash	1835-40	1880-90	1865/1855	1865-70		
3 months	1800-5	1827-9	1815/1800	1815-20	1800-10	7,268 lots
Zinc ($ per tonne)						Ring turnover 15,025 tonne
Cash	1830-40	1865-70	1845/1840	1842-5		
3 months	1775-7	1795-800	1790/1778	1780-4	1780-5	11,632 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	68.4	67.0	68.5 65.5
May	86.0	84.0	86.5 85.0
Nov	87.0	89.0	88.0
Feb	98.0	101.0	
Apr	128.4	128.4	128.0 128.2

Turnover 220 (384) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	157.80	158.50	
Jun	159.00	158.50	158.50 158.00
Aug	158.50	158.50	158.00
Oct	154.00	155.00	

Turnover 11 (45) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Mar	1635	1633	1634
Apr	1635	1640	1646 1635
Jul	1334	1331	1335 1330
Oct	1425	1600	1466 1460
Jan	1538	1538	1540 1534
Apr	1570	1580	1570
BFI	1631	1632	

Turnover 299 (152)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	118.20	118.50	118.65 118.30
Jun	120.30	120.65	120.80 120.30
Sep	104.20	104.00	104.25 104.20
Nov	106.35	106.35	106.35
Jan	109.35	109.30	109.35
Mar	112.40	112.40	112.40
Barley	**Close**	**Previous**	**High/Low**
May	111.05	111.35	111.15 111.00
Sep	101.05	100.95	101.05

Turnover: Wheat 81 (44), Barley 53 (1).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	382-382¼	227¼-228¼
Opening	383¼-383¾	228¼-227
Morning fix	383.3	228.664
Afternoon fix	382.95	228.82
Day's high	383½-384	
Day's low	381¼-381¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	396-398	232-235
Britannia	395-398	232-235
US Eagle	395-398	232-235
Angel	393-396	232-235
Krugerrand	382-385	226-227½
New Sov.	90-92	53-54
Old Sov.	90-92	53-54
Noble Plat	525.85-534.75	311.35-316.6

Silver fix	p/fine oz	US cts equiv
Spot	336.65	576.65
3 months	347.55	587.80
6 months	357.90	[illegible]
12 months	380.55	640.45

CRUDE OIL $/barrel

	Close	Previous	High/Low
May	18.33	18.63	18.82 18.65
Jun	17.85	18.10	18.15 18.00
Jul	17.80	17.60	17.78 17.65
IPE index	18.67	18.35	

Turnover: 3594 (7767)

GAS OIL $/tonne

	Close	Previous	High/Low
Apr	154.75	154.25	155.25 154.25
May	152.75	152.25	154.25 152.25
Jun	151.25	150.75	152.50 151.00
Jul	151.75	151.25	152.75 150.25
Aug	153.75	153.00	154.00 153.00
Sep	155.75	155.25	154.75
Oct	155.75	157.50	
Nov	158.50	157.75	158.50 155.50
Dec	158.50	160.50	158.50 157.50

Turnover 6416 (4801) lots of 100 tonnes

US MARKETS

Prices from US markets in this edition refer to the close of Tuesday's trading because of the change to British Summer Time.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	383.6	391.1	0	0
Apr	383.6	391.5	392.3	383.3
May	385.8	394.0	0	0
Jun	388.0	396.4	397.1	387.7
Aug	391.5	401.9	402.3	393.0
Oct	395.1	403.1	405.5	402.0
Dec	400.4	411.4	412.4	404.0
Feb	411.3	422.2	0	0
Apr	417.3	426.3	420.0	420.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	522.6	537.9	0	0
Apr	522.6	537.9	538.0	518.0
Jul	522.8	537.7	537.5	516.5
Oct	523.8	537.7	537.0	520.0
Jan	525.8	538.0	530.0	520.0
Apr	528.8	541.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	579.4	594.8	594.5	590.0
Apr	579.4	594.8	0	0
May	583.8	599.8	600.0	584.0
Jul	592.3	608.2	612.0	593.0
Sep	597.7	617.7	614.0	606.0
Dec	614.1	629.8	629.0	612.0
Jan	620.0	640.5	0	0
Mar	629.8	645.4	640.0	640.0
May	638.3	655.8	0	0
Jul	663.7	661.1	668.0	658.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	142.80	142.30	142.60	141.20
Apr	136.50	138.70	0	0
May	132.30	134.60	135.00	132.00
Jul	127.40	130.70	130.10	128.10
Sep	125.00	127.30	126.90	125.70
Dec	124.50	124.80	124.40	123.50
Mar	119.10	119.90	118.50	118.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.05	20.33	20.28	19.70
Jun	19.35	20.00	19.69	19.17
Jul	18.98	19.26	19.25	18.85
Aug	18.53	18.57	18.55	18.40
Sep	18.81	18.81	18.52	18.15
Nov	17.70	18.22	17.92	17.66
Dec	17.43	17.59	17.76	17.45
Jan	17.36	17.74	17.45	17.20

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5560	5785	5700	5595
May	5310	5460	5495	5260
Jun	5140	5262	5225	5075
Jul	5050	5167	5110	5000
Aug	5050	5162	5120	5020
Sep	5080	5207	5145	5060
Oct	5140	5262	5190	5130
Nov	5230	5360	5260	5200
Dec	5330	5404	5315	5230

INDICES

REUTERS (Base: September 18 1931 = 100)			
Mar 28	Mar 27	mnth ago	yr ago
2003.1	-	1980.0	1743.8

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	137.57	138.25	135.35	132.08
Futures	138.12	138.77	138.34	134.57

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1417	1417	1433	1408
Jul	1339	1331	1343	1330
Sep	1328	1321	1335	1321
Dec	1330	1324	1332	1328
Mar	1317	1311	1315	1305
May	1310	1309	1320	1310
Jul	1339	1331	1330	1330

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	128.23	127.29	127.55	125.55
Jul	121.31	122.29	122.25	120.78
Sep	118.08	118.67	118.50	117.00
Dec	115.60	116.85	116.00	115.10
Mar	115.18	115.75	115.50	114.75
May	116.00	117.00	116.00	116.75
Jul	117.00	117.37	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	11.31	11.15	11.35	11.14
Jul	11.42	11.30	11.41	11.23
Oct	11.23	11.03	11.24	11.05
Jan	10.89	10.41	0	0
Mar	10.84	10.76	10.95	10.68
May	10.84	10.68	10.84	10.76
Jul	10.80	10.70	10.80	10.68

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	273/6	271/4	274/2	272/0
Jul	276/2	274/2	277/0	274/6
Sep	266/6	264/6	266/4	264/0
Dec	262/6	262/2	263/4	261/2
Mar	269/4	266/4	269/4	267/2
May	271/4	270/4	271/4	269/4
Jul	272/6	272/4	272/6	271/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Equities shrug off the trade figures

NEWS OF another substantial deficit on UK trade in February was taken in its stride yesterday by UK equities which quickly rallied from a brief fall, taking their cue from the foreign exchange and domestic money markets. Equity turnover improved as the investment institutions again took the opportunity to pick up cheap stock, but interest died away again at the end of the session.

The February trade deficit of £1.7bn on current and £2.2bn on visible account, at the high end of the market's range of forecasts, was "not bad enough to bring pressure for higher UK interest rates, but confirmed that they will not be coming down for some time," commented Mr John Reynolds, economist at Prudential-Bache.

Equities had opened lower, despite another strong performance from Tokyo, in a delayed reaction to sterling's fall on the previous day. Shares were marked down further in the wake of the trade figures, but dealers said that despite the *dip of nearly 14 points* in the FT-SE index at one time there was little sign of significant selling. As it became clear that the pound was not seriously upset by the trade data, and London money market rates settled back to earlier levels, the stock market rallied with the help of the bargain hunters.

At the close, the FT-SE Index was a net 1.2 points up at 2071.7, a relatively confident performance from a market still content with the Budget assurance from Mr Nigel Lawson, the UK Chancellor, that the UK current account might be the last major economic indicator to improve.

Not all equity market analysts were so sanguine, however. "The trend of the trade figures is going to have to improve significantly if interest rates are going to fall later this year," said one.

Among a batch of factors helping the market were movements in its favoured takeover stocks. Confirmation of a major deal in the building sector came in the form of a £500m plus buy-out proposal at Magnet, the furniture and DIY group.

Consolidated Gold Fields continued to forge ahead, with some London analysts advising shareholders to accept Minorco's £3.2bn bid, in the hope that the Gold Fields board will abandon its resistance, while others recommended holding on for higher terms.

Trading statements from Guardian Royal Exchange and Sun Life, two leading life assurance groups, were taken calmly, and there were few other features on the corporate reporting stage. The blue chip leaders had a cautious session, with ICI making little response to a newsagency review which suggested that the UK chemical company was interested in acquiring suitably-priced pharmaceutical groups.

Account Dealing Dates
*First Dealings:
Option Declarations:
Last Dealings:
Account Day:
*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Mar 29	Mar 28	Mar 23	Mar 22	Mar 21	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.78	87.98	88.10	88.19	88.10	90.72	89.29 (6/2)	86.65 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.44	98.83	98.79	98.84	98.83	97.73	98.69 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1705.5	1705.0	1698.4	1690.5	1709.8	1398.1	1751.1 (14/3)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	191.5	195.1	193.8	194.3	194.7	237.2	198.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Mar 29	Mar 28	Mar 23	Mar 22	Mar 21	Year Ago
Ord. Dl. Yield	4.52	4.51	4.54	4.56	4.51	4.71
Earning Yld %(full)	10.93	10.92	10.99	11.04	10.91	11.98
P/E Ratio(Net)(☆)	11.05	11.06	10.98	10.91	11.04	10.19
SEAQ Bargains(5pm)	34,165	28,346	28,098	29,491	29,893	37,684
Equity Turnover(£m)†	-	775.58	990.05	1112.43	994.46	1114.61
Equity Bargains†	-	32,568	30,898	33,918	34,440	45,683
Shares Traded (ml)†	-	402.0	408.9	429.7	400.9	602.9

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1703.8	1704.2	1700.8	1696.9	1700.5	1702.1	1703.5	1706.0

DAY'S HIGH 1707.5 DAY'S LOW 1694.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.99 †Excluding intra-market business. * Corrected figure.

● S.E. ACTIVITY

Indices	Mar 28	Mar 23
Gilt Edged Bargains	89.7	89.9
Equity Bargains	211.0	200.1
Equity Value	1567.6	2001.2
5-Day average		
Gilt Edged Bargains	98.6	100.7
Equity Bargains	214.6	215.3
Equity Value	1991.3	2227.1

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,800	146	
Allied-Lyons	4,300	445	-5
Amstrad	627	144	+1
Argyll Group	1,700	236	+1½
Ass. Brit. Foods	233	528	-2
BAA	1,400	337	-3
BAT	3,800	564	+9
BET	1,000	262	
[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wireless	1,400	482	+1
Cadbury Schweppes	702	346	-2
Coats Viyella	638	129	
Kingfisher	3,000	340	-3
RTZ	1,000	525	-2
Williams Hldgs.	1,200	294	+5

Beecham progress late

Among the firm features at the close was Beecham, which attracted both domestic and US buyers. Reports from across the Atlantic that Beecham held *merger discussions with Smith-Kline Beckman* at the end of December were received with some scepticism, although one analyst claimed the company had confirmed the story to him privately.

The stronger reason for the rise of 9 to 596p in Beecham seemed to lie with a visit to the group yesterday by analysts at Shearson Lehman Hutton. Mr Stewart Adkins of Shearson *upgraded his rating of the* shares after hearing that Granisetron, Beecham's prospective anti-cancer drug, may also be applied to the treatment of migraine. Progress with the drug has been stepped up and it may be ready for marketing by 1991, he said. Beecham hopes to *submit the drug for* regulatory approval in Europe and elsewhere by the end of this year.

The SmithKline Beckman tales are not new in London, but such a merger would be welcomed, "if the price is right," according to Mr Arnab Banerji of Nomura Securities. "It would take the group into the major world league, able in compete with the likes of Merck."

Magnet attractions

Details of the expected management buyout at Magnet, the Yorkshire-based kitchens and bedroom furniture retailing operation, materialised yesterday and immediately triggered talk that a bid from another party could be in the offing.

The buyout is pitched at 300p, and is the biggest ever of a listed UK company. Magnet surged ahead to close a net 20 higher at 309p, after turnover of 12m shares.

Dealers said the news came as "no great surprise." The terms were regarded as in line with those expected from the Tom Duxbury-led management. One analyst in the sector said the market was now preparing for the next development in the saga which began in late-January when suggestions of a possible buyout first surfaced.

"The shares look a good bet at current levels," the analyst said. "The downside is limited, by the MBO proposals, to 300p and there is a distinct possibility that another offer could come in around the 350p level."

The analyst said that Kingfisher, formerly Woolworth, was the current favourite to bid. "We believe that at the *time of the initial MBO* proposal, only two potential *bidders* asked for details of the Magnet operation and that the field has now narrowed to one." he said.

Glynwed promises

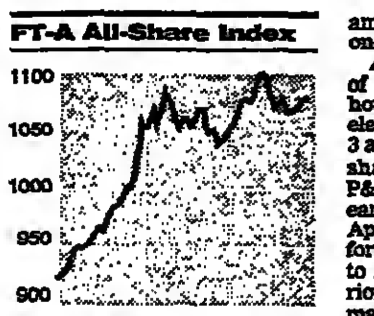
Annual profits of £82.6m from Glynwed were well up with analysts forecasts. Nevertheless, there were some in the market pointing to deviations from the company's five-year year record of promising 20 per cent annual earnings growth. It was enough to undermine the share price in the uncertain mood prevailing ahead of the UK trade figures and the stock fell to touch 315½p. However, the shares turned up with the index during the afternoon and closed 3 ahead at 324p in good turnover of 1.1m.

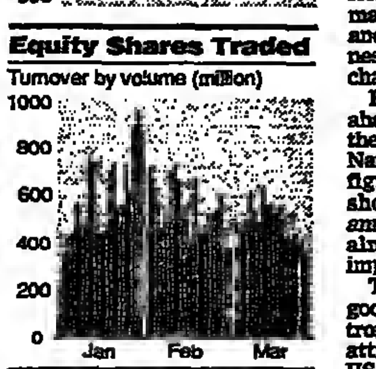
Analysts were similarly ambivalent about the company's prospects. Ms Elisabetta Castelli at Hoare Govett stuck with her long-standing buy recommendation. She singled out the contribution from Amari, acquired last June, which is strong *overseas* and "will be a cushion for Glynwed against any domestic downturn."

However, Mr David Jacobi at County Natwest WoodMac was equally determined to stand by his "sell" advice. "Glynwed is so well run there is not much upside," he said. He agreed that Amari's performance was the high spot but argued that "the public expression of their growth target is becoming a bit of a millstone; they may need more than Amari to make 20 per cent this year."

There was excitement in BTR before the stock goes ex-dividend on Monday. The shares turned over 2.1m as the price fell initially and then lifted to close 6 up at 376p. The Warrants registered a sharper 6½ rise, to end at 127p.

There was said to have been solid support for Cater Allen, the discount house, shares of which rose strongly to close 13 higher at 403p. The better final dividend than expected – 19.5p against 16.5p – from Schroders, the merchant bank, prompted good support for the shares which moved up 20 to 970p.





Activity in the insurance sector picked up following important trading results from three of the leading companies in the sector. Sun Life's preliminary profits – £23.2m against £20.9m – were viewed as only satisfactory and the shares slipped 8 to 955p. In composites Guardian Royal Exchange's full-year figures – at the top end of expectations according to traders – were given a warm reception with GRE shares a few pence up at 216p.

Insurance brokers provided a feature in Willis Faber, where the preliminary results – pre-tax profits were down to £54.36m against last time's £60.93m – and a rather disappointing post-results meeting with analysts caused a flurry of selling. Willis shares dropped to 224p at one point but later picked up to close a net 3 off at 229p.

Marley's preliminary figures were in line with market forecasts and caused little excitement in the stock which ran back 4 to 180p, after 176p. "The shares are too high on fundamentals. The price does already contain a certain amount of bid premium." said one dealer.

Among mixed Stores, news of a downgrade from broking house UBS Phillips & Drew hit electrical retailer Dixons, down 3 at to 164p on turnover of 1.8m shares. Mr John Smith, the P&D analyst, has lowered his earnings forecast for year-end April 1989 by £6m to £78m and for 1990 by no less than £14m to £75m. "The continuing deterioration in the UK electrical market, growing cost pressures and the slowdown in US business," were the reasons for his change of estimates.

Ratners edged modestly ahead to 205p, up 4 on the day; the company's broker County NatWest is predicting that the figures out on April 17 will show a 58 per cent rise in *annual profits to £80m* and an almost equally impressive improvement in the dividend.

Turnover was surprisingly good in some of the top electronics issues. The Racal duo attracted fresh support, with US securities houses again leading the way in the market.But both issues well well below the day's best lelvels by the close. Racal Electronics settled 3 up at 389p, after 393p, on turnover of 5.1m while Racal Telecom were finally unchanged at 345p, having touched 351p; turnover here was 684,000 shares.

Shearson Lehman Hutton, in their latest note on the Racal twins, describes Racal Telecom as the market's "Second best cellular investment," and rates Racal Electronics "the primary investment vehicle in the UK cellular industry." Shearson's electronics team of John Tysoe and Chris McFadden expects the discrepancy between Electronics and Telecom "to disappear if Racal proceeds with a fully sponsored ADR and, more immediately, when divestiture of the non-core businesses begins."

Dealers noted a good *buyer* in the market for Ferranti, which hardened to 108¼ on turnover of 5.2m. GEC were a fraction better at 234p on 2.3m with analysts from the leading London-based securities houses set to visit Siemens' operations in Germany this weekend.

Hawker Siddeley fell quickly in early trading, but the blame was pinned on technical factors arising out of heavy *options trading over* the last fortnight. The stock closed off the worst at 661p, a net fall of 11.

A single persistant buyer of Hall Engineering pushed the price 22 ahead to 507p.

Although Food retailers were actively traded, dealers were increasingly looking to the manufacturing stocks to provide a big bid story. Amid vague talk of a £1bn management buy-out in the sector, several stocks moved quietly ahead, notably Ranks Hovis Macdougall, up 8 at 384p on turnover of 1.2m shares, and Unigate, 7 better at 347p. "If *anything is going to happen in* manufacturers it will happen in Unigate," said one market-maker.

The busiest stock of the day was Tesco, up a penny at 156p as nearly 7m shares changed hands. Fellow supermarket groups Asda, Sainsbury and *Gateway* were *steady at* 146p, 225p and 163½p on turnover of 2.8m, 500,000 and 1.4m shares respectively.

Erskine House closed a penny better at 225p after broking house Hoare Govett placed 1.9m shares at 121p. The deal, representing about 4 per cent of the company, was completed in 10 minutes. The market was unimpressed by final profits from Rockware, at £11.1m against £9.2m the previous year. The stock slipped 1¼ to 73½p.

Spring Ram continued to advance smoothly on further cosideration of last weeks good final figures and subsequent analysts' re-rating. The stock closed up 12 at 251p, a rise of 35 in a fortnight.

Crown Communications closed marginally easier at 254p after a placing, carried out by brokers Kitcat & Aitken, of 1.1m shares at 244p a share to raise a net £2.66m. Mr Roy Owens at Kitcat said "the placing, to help finance Crown's planned European expansion, went very smoothly and highlights Crown's excellent growth prospects."

The Agency sector reacted calmly to two bids, the largest being the BDDP offer of 300p cash for each share of Boase Massimi Pollitt (BMP), valuing the UK group at £103m. French agency BDDP had intimated the terms would be available when requesting merger talks with BMP earlier this month after revealing a share stake. Since then the holding has been increased to 10.5 per cent.

BMP chairman Mr Martin Boase described the offer as "laughable" and unacceptable while BDDP president Mr Jean-Claude Boulet accused Mr Boase of ignoring the benefits to BMP's business. The market took the view that better terms are necessary to win the day and BMP shares went 4 higher to close at 308p.

Millward Brown, the market research *agency, lost 3 to 205p* on the recommended offer from WPP. The latter claims to have received irrevocable undertakings from shareholders to accept the offer of 63 per cent of Millward. WPP's shares closed 7 down at 683p.

Saatchi & Saatchi failed to benefit from a newspaper article which concluded that after their recent steep fall the shares were now worth locking away. Further nervous selling found the market unwilling and the price dropped 7 more to 284p.

Properties were relatively untroubled save for a smattering of figures, notably from Slough Estates (down 10 at 326p on a disappointing fully diluted net asset value of 382p), BHH Group (a shade lighter at 123½p in spite of more than *doubled profits) and* Frogmore Estates (steady at 506p on interim earnings of just over £9m).

The stronger dollar coupled with a Kleinwort Benson recommendation pushed BAT Industries up 9 to 564p. Analyst Mr Paul Burke believes the shares still offer good value and the changing profile of the group, with non-tobacco now accounting for over half of total profits, should aid sentiment.

Recent fears were fully justified when Tyndall Holdings yesterday reported disastrous full-year results. After an exceptionally large write-off, the company incurred a loss where a profit had been expected. The shares have had a rough time over the past six weeks, tumbling from 146p, and lost more ground to settle at 96p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (125).

BRITISH FUNDS (2) Treas. 5pc 1986-89, Do. 3pc 1990, AMERICANS (12) CANADIANS (1) Inland Gas, BANKS (8) BREWERS (1) Bulmer (H.P.), BUILDINGS (9) CHEMICALS (2) Hercules Inc., MTM, STORES (5) Aquascutum "A", Austin Reed, Chelsea Man, Glamar Grp., Pentos, ELECTRICALS (7) ENGINEERING (7) FOODS (8) INDUSTRIALS (22) AGA AB, BTR, Beecham, Bowater Inds., Christies Intl., Dean & Bowes, Eastern Prod., Electrolux, Ellem, Grampian Hldgs., Granada, Jardine Hldg., Jourdan (T.), Keep Tst., Marling Inds., Nestor-BNA, Platon Intl., Rolfe & Nolan, Schlumberger, Sheeringt, Spring Ram, Stonehill Hldgs., INSURANCE (7) LEISURE (3) Avesco, Orient Express Hotels, Really Useful Grp., MOTORS (1) Jessups, NEWSPAPERS (1) Builder Grp., PAPERS (4) ATA Select., Holmes Marchant, Ogilvy Grp., Thorpac Grp., PROPERTY (3) Five Oaks Invs., Intl. Inc. Prop., McInerney, TEXTILES (1) Lamont Hldgs., TRUSTS (12) OILS (4) Brit. Borneo, Clyde Pet., Global Nat. Res., Hamilton Oil, OVERSEAS TRADERS (2) Boustead, Harrisons Cross., MINES (8) THIRD MARKET (1) Wolstgate Leis

NEW LOWS (25).

BANKS (3) Banco Bilbao Viz, Guinness Mahon, Hambros, BUILDINGS (2) Banner Homes, Bellwinch, CHEMICALS (1) Amersham Intl., STORES (4) Colorvision, Euro Home Prods., Goldberg (A.), Specialeyes, ELECTRICALS (1) Black & Decker, FOODS (2) Ashley Grp., Sims Food, INDUSTRIALS (2) Apollo Watch Prods, Kalamazoo, INSURANCE (1) PWS Hldgs., LEISURE (2) Molinare Visions, Tottenham Hotspur, NEWSPAPERS (1) Metal Bulletin, PAPERS (2) Saatchi, Do. 6.3pc Cv Pf, PROPERTY (2) Mountview Ests., Zurich Grp., TEXTILES (1) Atkins Bros., TRUSTS (3) Dominion Int., IFICO, Tyndall Hldgs., MINES (1) Monarch Res.

APPOINTMENTS

Restructure at Midland

■ Six sales directors for England and Wales will replace the 12 regional directors in MIDLAND UK banking from May 1. This follows the decision, reported in yesterday's *Financial Times*, to separate customer service from transaction processing and to transfer the branch back-office function to Midland group operations.

Mr Tom Robson, head of Midland Montagu trade finance, takes over the north west and north east. Mr Kenneth Scott, a corporate banking director in Midland Montagu, will be responsible for the City, West End and north Thames. Mr Michael Siddons, regional director for the east Midlands, also takes on the west Midlands. Mr Ian Heard, area manager for Coventry, will cover Wales and the south west. Mr John Holloway, regional director for East Anglia, is also given the home counties. Mr Alan Jewell, regional director for the south east, adds London south.

Mr David Mills, information technology director in UK banking, becomes director, UK operations in group operations. Mr Andrew Stephens, regional director for the home counties, moves to group operations as network operations director.

Changes at EMI Music

■ Following the appointment of Mr Jim Fifield as president and chief executive officer of EMI Music Worldwide from April 1, Mr Bhaskar Menon will continue as an executive director of THORN EMI, and remains chairman of EMI Music Worldwide, Capitol-EMI Music Inc, and EMI Music. He will be responsible for corporate relationships with Toshiba Corporation, Japan.

Mr Michael Smith has been appointed as chairman and chief executive of Thorn Software from April 1. He was group chief executive of CAP.

■ Mr Roger Dyer has been appointed group pensions actuary of CROWN FINANCIAL MANAGEMENT. He joins from Prudential Assurance.

■ QUILTER GOODISON, private client and fund management arm of Commercial Union Assurance Co., has made Mr Mark Allsop a board director with responsibility for administration, finance and operations areas of the company's activities. He was previously executive director operations at Philadelphia National in London.

■ Mr John Doswell becomes managing director of CCA GALLERIES from May 2. He was marketing director of Matthew Clark & Sons.

Mr David Cockrell (*above*) has been appointed group financial director and controller of COLGATE HOLDINGS (UK), and its principal operating subsidiary, Colgate-Palmolive, UK. He was director of finance of the company's European co-ordination group in Brussels. He succeeds Mr Derek Lacey who is retiring.

■ Mr Paul Pascan has joined WALLACE INTERNATIONAL, a subsidiary of the Prospective Group. He was financial controller of the LandLeisure Group.

■ Mr Michael Ross, formerly with Lazard Brothers, has been appointed a director of SMITH BARNEY, HARRIS UPHAM INTERNATIONAL INC, a subsidiary of the New York company.

Satellite TV broadcasting finance chief

■ BRITISH SATELLITE BROADCASTING, the more than £700m broadcasting group, has appointed Mr Ian Clubb as group finance director. His career has embraced senior finance responsibilities in publishing and the oil industry. Mr Clubb was group managing director and chief executive of Carless. From 1975 he was finance director of Times Newspapers, then was involved in fund raising for the Thomson Group's North Sea oil exploration, and became chairman of Thomson North Sea.

■ CHAPTER GROUP has appointed Mr J.G. Staples as chairman, Mr P.R. Pennington Legh as group managing director/ chief executive, Mr J.R. Kennedy as group deputy chairman, and Mr R.D. Symonds as a director. Mr K.J.F. Robinson has retired.

■ Mr Bill Bailie has been appointed managing director of ALUMASC-GRUNDY, brewery products division of The Alumasc Group, from May 1. He was production and distribution director of Guinness Brewing, Great Britain.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1200)H
90 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	47.07	47.54xd	50.57	+0.79	5.42
Gilt & Fixed Inc	6	112.20	112.20xd	119.20	+0.10	8.39
High Inc Equity	6	130.60	133.70	142.20	-0.2	4.47
Worldwide Bond	6	187.40	187.40xd	198.60	+0.0	4.88
Capital Growth						
American Growth	6	160.40	162.50	172.80	+0.8	1.67
Asian Pacific	6	86.34	88.20	93.82	+2.39	.920
Assets & Earnings	6	157.80	162.00	172.30	-0.2	2.16
Capital Reserve Acc	0	84.05	84.05	84.07	+0.14	4.76
Comdty & Energy	6	96.38	99.27xd	105.60	+2.7	0.00
1992 Enterprise	6	54.67	55.63	59.10	-0.04	3.04
European Capital	6	70.01	78.63	83.64	+0.44	0.90
General	6	171.80	174.90xd	186.00	+1.8	2.42
Japan	6	105.30	107.10	113.95	+1.9	0.00
Mastertrust	6	80.23	81.70	86.91	+1.56	1.06
UK Growth Acc	6	198.30	206.30	219.40	-0.1	1.28
UK Growth Dist	6	133.00	138.50	147.30	+0.80	1.91
US Emerging Cos	6	46.31	49.06	51.12	+0.65	0.00
Income & Growth	6	284.40	290.70	309.20	+1.30	3.32
Ethical	6	48.29	49.47	52.62	+0.86	2.38

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	43.33	43.33	46.26	+0.32	1.66
Australian	5¼	22.37	22.37	23.88	-0.10	1.14
European	5¼	55.00	55.03	59.75	+0.26	2.00
Extra Income	5	42.30	42.30xd	44.90	-0.01	4.44
Fund Inv Tst	5	110.7	110.7	126.7	+0.1	1.97
Do Accum	5	181.0	181.0	193.2	+0.2	1.97
Gilt & Fixed Int	5¼	21.86	21.86xd	23.34	+0.00	10.02
Global Income	5¼	39.19	39.19	41.83	+0.14	4.14
Income & Growth	5¼	71.72	71.71	76.57	-0.01	3.71
Japan	5¼	179.2	179.2	191.3	+2.40	0.01
Nth Amer Inc (z)	5	27.06	27.06	28.72	+0.21	4.34
Special Situations	5¼	71.05	71.05	75.85	+0.00	0.88
UK Growth	5	36.35	36.35	38.58	-0.03	2.54
World Gwth	5	46.11	46.11	48.94	+0.40	0.46
Formerly Sentinel Funds Management Ltd						
American Majors	5¼	62.11	62.13	66.32	+1.17	3.20
Amer Tech & Gen	5¼	106.8	105.8	112.9	+1.90	0.00
European Growth	5¼	37.55	37.55	40.00	+0.21	0.00
European Income	5¼	54.50	54.50	58.18	+0.18	1.43
European Spec Sits	5¼	21.68	21.68	23.14	-0.13	0.00
Exempt	1	791.8	791.8	826.4	-2.30	3.47
F East Emerg Econs	5¼	37.79	37.79	40.47	+0.36	0.00
Intl Growth	5¼	46.14	46.14	49.26	-0.20	0.00

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Buckmaster Mangmt Co Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	303.1	303.1	320.5	+0.3	2.31
(Accum Units)	5	504.2	504.2	533.2	+0.6	2.31
Income	5	154.4	159.5	169.2	-0.3	3.80
(Accum Units)	5	295.0	304.7	323.3	-0.5	3.80
International	5	115.2	115.2	121.0	+0.9	2.11
(Accum Units)	5	157.1	157.1	166.1	+1.3	2.11
Smaller Co's	5	112.4	115.3	122.3	+0.1	0.90
(Accum Units)	5	123.0	126.1	133.0	+0.1	0.95
Inv Portfolio	2½	53.33	55.18	56.99	-0.12	3.56
(Accum Units)	2½	54.29	56.10	57.92	-0.12	3.56
High Income Port	3	48.27	48.44	50.20	-0.06	6.95

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL. 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sht Dtd Gilt & FI	1¼	52.38	52.38xd	55.13	+0.02	11.37

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Grn, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5¼	53.13	53.92	57.67	-0.26	2.70
Global Tst	5¼	40.54	40.72	43.55	+0.14	2.30
Recovery Tst	5¼	55.19	57.47xd	61.14	+0.16	2.61

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	105.2	106.6	112.5	-0.6	3.51

CS Fund Managers Limited (1000)F
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	53.07	53.07xd	56.45	+0.67	0.72
CS International	5	53.58	53.58	57.00	+0.05	2.00
CS Japan	5	121.0	121.0	128.7	+2.6	0.32
CS Portfolio Inv ♥	5	70.46	70.46xd	74.95	+0.19	1.69

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	135.5	140.7	148.1	-0.70	3.13
Do Gen Accum	5	226.0	234.7	247.0	-1.20	3.13
Do Income Dist	5	94.66	98.36	103.5	-0.50	5.44
Do Inc Accum	5	212.4	221.1	232.7	-1.00	5.44
Gilt & Fxd Inc	5	36.58	36.72xd	38.65	-0.08	8.51

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5¼	36.93	37.00	39.66	+0.01	2.57
Income	5¼	46.85	47.21	50.44	+0.01	4.10
Far East ♦	5¼	34.71	35.36	37.62	+0.56	0.17
North American ♦	5¼	29.49	29.14	31.75	+0.40	0.65
Global ♦	5¼	48.02	48.89xd	52.01	+0.52	0.66
European	5¼	47.15	47.64xd	50.95	-0.05	1.00
Japan ♥	5¼	98.13	98.88	105.2	+1.00	0.01
Intl Currency 88	5¼	43.63	43.63	46.27	+0.11	6.00
Strategic Opps.	5¼	55.01	56.34	60.26	+0.57	1.24

Capability Trust Mngrs Ltd (1200)F
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American & Gen	5	65.05	60.81xd	70.01	+0.75	2.17

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GUIDE TO UNIT TRUST PRICING

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Convtbl & Equity	5	65.12	65.89	70.10	+0.11	5.71
European	5	59.81	60.36	64.19	[illegible]	0.27
Far Eastern	5	55.90	56.02	59.60	-0.28	1.04
Growth Inc	5	89.42	92.88	98.81	-0.43	1.49
Growth Acc	5	89.42	92.88	98.81	-0.43	1.49
Income Inc	5	81.32	83.44	88.76	-0.33	3.62
Income Acc	5	81.32	83.44	88.76	-0.33	3.62
Property Share	5	35.70	35.70	39.36	-0.17	1.35
Smaller Co's	5	60.95	64.01	68.09	-0.22	1.45
Formerly KBC Trust Managers Ltd						
Nth American	5	53.76	53.76	57.48	+0.09	1.88
International	5	42.80	42.80	45.77	-0.32	2.50

Wright Seligman Fund Mngrs Ltd (1000)H
11 Stanfield St, London EC2M 7AY 01-588 0592

Growth	5	91.52	91.52	96.52	—	0.92

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Yorkshire General	5¼	62.04	64.24	68.94	-0.06	3.06
YBTH UK Equity Inc	5¼	59.95	61.97	65.93	+0.21	4.42
YBTH Intl Gwth Tst	5¼	46.64	46.64	49.83	-0.30	1.10

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Exp, Feb 15	1408.5	445.3	—	—

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Inv Fund Feb 28	465.80	—	4.38
Fxd Int Sec Feb 28	142.95	—	10.03
Deposit Feb 28	100.00	—	12.95

Charities Official Invest. Fund‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Income Feb 28	460.39	—	5.06
Accum Feb 28	1493.07	—	—

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INSURANCES

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int. Dep. Acc	256.8	270.4	—	—
Equity Acc	818.1	861.2	+4.9	—
Property Acc	495.2	520.8	+1.0	—
Far East Acc	199.9	205.2	+3.2	—
European Acc	20.6	21.7	+0.3	—
Managed Acc	647.8	681.9	+4.2	—
Managed Cap	366.7	386.2	+2.4	—
O'seas Earnings Acc	542.6	571.2	+2.5	—
Gilt Edged Acc	316.6	332.3	-0.3	—
American Equity Acc	407.4	428.9	+2.5	—
American Man Acc	190.2	200.5	+1.9	—
American Prop Acc	138.6	145.9	-0.1	—
Pen.F.I.Dep.Cap	282.7	297.6	+0.1	—
Pen.F.I.Dep.Acc	480.7	506.1	+0.2	—
Pen. Prop. Cap	565.8	595.8	+0.1	—
Pen. Prop. Acc	1068.1	1124.9	+0.4	—
Pen. Man. Cap	793.6	835.8	+0.6	—
Pen. Man. Acc	1489.6	1568.0	+1.2	—
Pen.Gilt Edg.Cap	315.3	331.9	+0.2	—
Pen. Gilt Edg. Acc	483.6	509.1	+0.4	—
Pen. Eq. Cap	1297.5	1366.6	+0.8	—
Pen. Eq. Acc	1845.6	1942.8	+1.4	—
Pen. Am. Eq Cap	129.2	136.0	+0.9	—
Pen. Am. Eq Acc	154.8	163.0	+1.1	—
Pen. Far East Cap	235.7	248.1	+0.1	—
Pen. Far East Acc	282.8	297.7	+3.8	—
Pen. Euro Cap	23.3	24.6	+0.1	—
Pen. Euro. Acc	25.2	26.6	+0.1	—
Pen. B.S. Acc	624.7	651.0	+0.2	—
Pen B.S. Cap	317.2	333.1	+0.1	—
Pen. D.A.F. Acc	348.1	348.1	+0.1	—
Pen. D.A.F Cap	240.8	240.8	+0.1	—
Pen. Mortgage Cap	141.8	149.3	—	—
Pen. Mortgage Acc	170.0	179.0	—	—
Pen Equ Cap	27.0	28.5	—	—
Pen Equ Acc	27.9	29.4	—	—
Pen Am Eq Cap	28.0	29.5	—	—
Pen Am Eq Acc	28.9	30.5	—	—
Pen Far East Cap	29.0	30.6	—	—
Pen Far East Acc	30.0	31.6	—	—
Pen Euro Cap	31.3	33.0	—	—
Pen Euro Acc	32.3	34.1	—	—

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Pioneer Mutual Insurance Co Ltd

16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	291.4	306.8	+0.4	—
Man Pens Inc & Cap Fdx	381.5	401.6	+0.7	—
Money Fund	118.0	124.3	+0.1	—
Pens Mngd Fd (Init)	101.6	107.0	+1.1	—
Pens Mngd Fd (Acc)	121.7	128.2	+1.0	—
Pens FT30 Fd (Init)	142.7	150.3	−0.3	—
Pens FT30 Fd (Acc)	170.8	179.8	−0.2	—
Pens O'seas MgFd(Init)	72.0	75.8	—	—
Pens O'seas MgFd(Acc)	86.2	90.8	+0.1	—
Pens Fxd Int. Fd (Init)	104.9	110.5	+0.1	—
Pens Fxd Int. Fd (Acc)	125.6	132.3	—	—
Pens Deposit Fd (Init)	104.0	109.5	+0.1	—
Pens Deposit Fd (Acc)	124.5	131.1	+0.3	—

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	110.0	116.0	+1.0	—
Building Soc. Fd	168.0	177.0	—	—
Balanced	274.0	289.0	−1.0	—
Deposit	—	—	—	—
European	155.0	164.0	+0.0	—
GT Managed	174.0	184.0	+1.0	—
Gartmore Mngd	111.0	117.0	—	—
German	103.0	109.0	—	—
Gilt	176.0	186.0	−1.0	—
Global	49.0	51.0	—	—
High Inc	116.0	123.0	—	—
International Equity	180.0	190.0	—	—
Japan	235.0	248.0	+1.0	—
Managed	62.0	66.0	−1.0	—
Property	276.0	291.0	—	—
N. W. Imperial Gold	131.0	138.0	—	—
UK Equity	372.0	392.0	−2.0	—
Pension Funds				
American	135.0	143.0	—	—
Building Soc. Fd	167.0	176.0	—	—
Balanced	213.0	225.0	—	—
Deposit	—	—	—	—
European	152.0	160.0	—	—
German	95.0	100.0	—	—
Gilt	149.0	157.0	—	—
International Equity	133.0	140.0	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

BERMUDA AUTHORISED

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45¾	43⅞	Consols 4pc	44½	-⅛	8.99	-
40¾	35[illegible]	War Loan 3½pc‡‡	39½	-⅛	8.86	-
70[illegible]	60¾	Conv 3½pc '61 Aft	68[illegible]	-[illegible]	5.14	-
41[illegible]	31[illegible]	Treas. 3pc '66 Aft	37[illegible]	-[illegible]	7.93	-
30[illegible]	22¾	Consols 2½pc	[illegible]	-⅛	8.73	-
29½	27¼	Treas. 2½pc	[illegible]	-⅛	8.93	-

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
127¼	124	Treas 2pc IL '90(84.6)	127[illegible]	....	-	3.19
106[illegible]	103[illegible]	Do. 2pc '92(97.8)	106[illegible]	-⅛	2.60	3.52
99[illegible]	94[illegible]	Do. 2 '94 (102.9)	98[illegible]	-⅛	2.89	3.42
145	139¼	Do. 2pc '96(67.9)	144[illegible]	-⅛	3.10	3.48
124[illegible]	118[illegible]	Do 2½pc '01(78.3)	124[illegible]	-⅛	3.29	3.50
122[illegible]	115[illegible]	Do. 2½pc '03(78.8)	122[illegible]	-⅛	3.33	3.55
125[illegible]	117[illegible]	Do. 2pc '06(69.5)	125[illegible]	-⅛	3.36	3.55
117¼	110¼	Do. 2½pc '09(78.8)	117[illegible]	-⅛	3.38	3.56
123[illegible]	114[illegible]	Do. 2½pc '11(74.6)	122[illegible]	-⅛	3.38	3.54
102[illegible]	95¼	Do. 2½pc '13(89.2)	[illegible]	-⅛	3.37	3.51
110[illegible]	101¼	Do. 2½pc '16(81.6)	110¼	-⅛	3.35	3.48
108¼	100[illegible]	Do. 2½pc '20(83.0)	108[illegible]	-⅛	3.30	3.43
91[illegible]	84[illegible]	Do. 2½pc '24‡‡(97.7)	91	-⅛	3.27	3.39

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1988:106.7 and for February 1989:111.8

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
108[illegible]	103¼	African Dev Bk 11¼Ln 2010	108[illegible]	-⅛	10.51	10.42
104¾	99[illegible]	Asian Dev Bk 10¼pcLn2009	102[illegible]	-⅛	10.03	9.99
130[illegible]	124[illegible]	Australia 13¾pc 2010	128[illegible]	-⅛	10.66	10.37
113[illegible]	106¾	Do. 11¼pcLn2015	109[illegible]	-⅛	10.39	10.28
108[illegible]	103[illegible]	Euro Inv Bk 11pc Ln 2002	105[illegible]	-⅛	10.42	10.20
104[illegible]	99[illegible]	Do. 10¼pc2004	101[illegible]	-⅛	10.21	10.16
118[illegible]	113[illegible]	Int-Am Dev Bk 12½pc 2003	115[illegible]	-⅛	10.81	10.34
99¼	95¼	Do. 9¾pcLn 2015	96[illegible]	-⅛	10.11	10.13
97¾	94¼	Malaysia 10¾pcLn 2009	97[illegible]	....	11.03	11.03
120	110	[illegible]	110	....	13.98	13.80

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Viking Fund-SICAV

Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Glenn)				
Dollar Fd BOPUPs	$10.72	10.73	----	-
Dollar Fd OPUPs	$9.91	10.02	----	-
Sterling Fd BOPUPs	£10.44	10.95	----	-
Sterling Fd OPUPs	£10.64	10.76	----	-
DM Fd BOPUPs	DM10.31	10.32	----	-
DM Fd OPUPs	DM10.99	11.11	----	-
Yen Fd BOPUPs	$9.77	9.78	----	-
Yen Fd OPUPs	$9.80	9.91	----	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$9.04	9.59	----	1.36
Whao Asia Pac Trust	$11.40	11.72	----	4.27
World Fund S.A.				
World Fund NAV Feb 16		$22.13	----	-
World Natural Resources				
NAV Mar 28		$10.02	-0.11	-
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$24.86	----	-
Dynamic Gwth Fd		$21.02	----	-

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Funds Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3			01-283 6461	
CAFCASH Call Fund	12.33	4.46	13.07	3-mth
CAFCASH 7-day Fund	12.49	9.58	13.25	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	12.45	-	13.04	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fnd	12.55	9.63	13.15	6-Mth
7-day Fund	12.64	9.70	13.25	6-Mth
Special Fund	12.19	-	12.89	Mth
Dollar	8.56	6.57	8.97	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
AAB-Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6802	
DMHA (£2,001 +)	13.10	10.05	14.04	Mth
HICA (£2,001 +)	12.50	9.59	13.37	Mth

High Int Chq Acc	11.07
£10,000+	11.40
£50,000+	11.73
Premier Savings £5,000+	12.38
M.I.M. Britannia Ltd	
11 Devonshire Square EC2M 4YR	
Cater Allen	11.625
NatWest Special Reserve A[illegible]	
41 Lothbury, London, EC2P 2BP	
£10,000 and above	11.75
£2,000 to £9,999	11.25
£1,000-£1,999	10.75
£500-£999	10.50
Provincial Bank PLC	
30 Ashley Rd, Altrincham, Cheshire	
U I C.A. (£1,000+)	12.50
Royal Bank of Scotland pl[illegible]	
42 St Andrew Sq, Edinburgh EH2 2[illegible]	
£50,000+	12.00
£25,000 - £49,999	11.80
£10,000 - £24,999	11.60
£2,500 - £9,999	11.25
Save & Prosper/Robert Fl[illegible]	
28 Western Rd, Romford RM1 3LB	
H.I.C.A.	11.40
Tyndall & Co Ltd	
29-33 Princess Victoria St, Bristol	
Demand Acc	12.00
Money Acc	12.89
Client Plus Acc	11.50
J. Henry Schroder Wagg & [illegible]	
Enterprise House, Portsmouth	
Special Acc.	11.50
£10,000 and Above	11.75
Western Trust High Intere[illegible]	
The Moneycentre, Plymouth PL1 1S[illegible]	
£1,000-£4,999	13.00
£5,000-£9,999	13.25
£10,000-£49,999	12.50
£50,000+	12.75
Wimbledon & South West[illegible]	
114 Newgate St, London EC1 7AE	
High Int Cheque Acc	12.50

NOTES—Gross rate to those except [illegible] tax Net actual rate after deduction [illegible] Gross equivalent to basic rate [illegible] annual rate [illegible] Cr frequency [illegible]

UNIT TRUST NOTES

Prices are in pence unless otherwise [illegible] designated $ with no prefix refer to [illegible] allow for all buying expenses. [illegible] Insurance linked plans subject to [illegible] sales. ♦ Distribution free of UK tax [illegible] insurance plans. ♦ Single premium [illegible] price includes all expenses except [illegible] Previous day's price. ¶ Guernsey [illegible] Yield before Jersey tax. † Ex-subdiv[illegible] to charitable bodies. ‡ Yield colu[illegible] rates of NAV increase. [illegible] ex divide[illegible] recognised.

LONDON SHARE SERVICE

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CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to *profit after taxation, excluding exceptional profits/losses but* including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ *Figures or report awaited*
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ *No par value*

B.Fr. Belgian Francs. Fr. French Francs. ✱✱ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s *Dividend and yield exclude a special payment.* t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend *and yield based on merger terms. z Dividend and yield include a* special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W *Pro forma figures.* Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	92	.....
Craig & Rose £1 .. γ	729	.....
Finlay Pkg. 5p .... γ	91	−2
Holt (Jos) 25p ..... γ	1275	+5

IRISH

Cap. 8½% Ln. 1991 ...	£1007	.....
9pc Cap Ln. 1996 ..	£101	.....
Fin. 13% 97/02 ...	£120½	.....
Arnotts	470	.....
Carrol (P.J.) ..... γ	149	+1
Hall (R. & H.)	145	.....
Helton Hldgs ..... γ	70	−1
Irish Ropes	168	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	14
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	30
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	11
Gen Accident	72
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	11
Hawker Sidd	40
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	13
Midland Bk	35
Morgan Grenfell	20
NEI	22
Nat West Bk	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord.	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do. (P.Paid)	11
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	180
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks sell dollars

THE DOLLAR weakened after another round of co-ordinated central bank intervention yesterday. But the scale of dollar sales by the major European central banks and the US Federal Reserve did not appear to be beavy, and dealers questioned wbether policy is aimed at defending any particular rate.

The view in the market was that the central banks have not set a target range, but will react to excessive swings. The bulk of yesterday's interveotion occured when the dollar was just above DM1.8900, and it succeeded in holding the dollar around that level.

The main central banks in Europe were involved, including the West German Bundesbank; Swiss National Bank; Bank of France and Bank of England. Details of the action were sketchy, and although it seemed to involve buying of the D-Mark, it was also suspected tbat the Bank of England took the opportunity of purchasing sterling against the dollar.

There were no new factors to influence the dollar, but underlying sentiment remained firm on interest rate considerations, and speculatioo about a further tightening of US monetary policy. A fall of 0.3 per cent in February US leading indicators was the first decline since last September. It was within the range of most forecasts however, and had little impact.

Dealers in Tokyo said they believed the dollar could touch DM1.92 and Y135 in the near future. Mr Satoshi Sumita, Governor of the Bank of Japan, said Japan will cooperate with other nations if exchange rates move widely. There was again no sign of the Bank of Japan in the market however.

At tbe end of trading in Europe the dollar had fallen to DM1.8915 from DM1.8955; to Y132.85 from Y133.05; to SFr1.6455 from SFr1.6540; and to FFr6.3850 from FFr6.4000. Oo Bank of England figures the dollar's exchange rate index was 0.2 higher at 68.8.

The Bank of England may have given some support to sterling, but not on a large scale. The pound weakened on disappointing UK trade figures. February's current account deficit widened to £1.7bo from a revised £1.6bn in January. It had previously beeo stated that the January shortfall was £1.7bn.

Market forecasts of the February deficit were generally in the region of £1.4bn, bnt following the news fears grew that the current account deficit for the year could be as high as £20bn, compared with a forecast of £14.5bn by Mr Nigel Lawson, the Chancellor, at the time of this month's Bodget.

Sterling fell to around $1.6825 and DM3.1850 oo the trade news, but recovered gradually, to close only slightly below the day's peaks. The pound closed 20 points higher on the day against the dollar, at $1.6905, and at DM3.1975, compared with DM3.2000 on Tuesday. It eased to Y224.50 from Y224.75; to SFr2.7825 from SFr2.7925; and to FFr10.7950 from FFr10.8075.

According to the Bank of England sterling's index fell 0.1 to 95.5.

£ IN NEW YORK

Mar.29	Latest	Previous Close
£ Spot	1.6885-1.6895	1.6845-1.6855
1 month	0.48-0.47pm	0.36-0.35pm
3 months	1.39-1.36pm	1.07-1.05pm
12 months	3.72-3.65pm	2.47-2.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.29	Previous
8.30 am	95.6	96.2
9.00 am	95.7	96.0
10.00 am	95.6	95.9
11.00 am	95.7	95.9
Noon	95.4	95.9
1.00 pm	95.4	95.9
2.00 pm	95.4	95.9
3.00 pm	95.3	95.9
4.00 pm	95.5	95.6

CURRENCY RATES

Mar.29	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.761517	0.652606
U.S Dollar	7	1.29496	1.09964
Canadian $	11.54	1.54709	1.31242
Austrian Sch.	4	17.1738	14.6538
Belgian Franc	7.75	51.1121	43.6008
Danish Krone	7½	9.51407	8.11646
Deutsche Mark	4	2.43996	2.08228
Neth.Guilder	5.00	2.75308	2.34829
French Franc	9½	8.25666	7.02781
Italian Lira	13½	1789.93	1525.75
Japanese Yen	2½	172.230	146.307
Norway Krone	8	8.85235	7.56004
Spanish Peseta	-	151.953	129.615
Swedish Krona	8½	8.31364	7.09269
Swiss Franc	4	2.13215	1.81716
Greek Drach.	20½	N/A	175.800
Irish Punt	-	N/A	0.779943

*All SDR rates are for Mar.28

CURRENCY MOVEMENTS

Mar.29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.5	-15.9
U.S Dollar	68.8	-9.2
Canadian Dollar	102.5	-0.7
Austrian Schilling	106.5	+9.7
Belgian Franc	105.6	-6.4
Danish Krone	102.7	-2.3
Deutsche Mark	112.3	+20.2
Swiss Franc	105.5	+14.5
Guilder	109.9	+12.8
French Franc	99.5	-15.3
Lira	97.2	-20.3
Yen	146.8	+78.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Mar.28.

OTHER CURRENCIES

Mar.29	£	$
[illegible]	[illegible]	[illegible]
U.A.E.	6.1915-6.2030	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6008	+2.69	+0.92	±1.5344
Danish Krone	7.85212	8.11646	+3.37	+1.60	±1.5404
German D-Mark	2.05853	2.08228	+1.15	-0.62	±1.0981
French Franc	6.90403	7.02781	+1.79	+0.02	±1.3674
Dutch Guilder	2.31943	2.34829	+1.24	-0.53	±1.5012
Irish Punt	0.768411	0.779943	+1.50	-0.27	±1.6684
Italian Lira	1483.58	1525.75	+2.84	+1.79	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Mar.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6825-1.6935	1.6900-1.6910	0.34-0.31cpm	2.31	1.07-1.02pm	2.47
Canada	2.0105-2.0240	2.0225-2.0236	0.16-0.05cpm	0.62	0.39-0.22pm	0.60
Netherlands	3.59¾-3.61¼	3.60-3.61	1¾-1⅝cpm	5.83	5⅝-5¼pm	6.03
Belgium	66.60-67.20	67.00-67.10	26-24cpm	4.47	82-77pm	4.74
Denmark	12.42-12.49½	12.45½-12.46½	4¾-4⅛orepm	4.39	14¾-13⅞pm	4.59
Ireland	1.1940-1.1975	1.1960-1.1970	0.52-0.47ppm	4.96	1.49-1.39pm	4.81
W. Germany	3.18¾-3.20½	3.19½-3.20	1¾-1⅝pfpm	6.33	5¼-5pm	6.33
Portugal	261.75-264.05	263.15-264.15	7-30cdis	-0.84	12-101dis	-0.17
Spain	198.25-199.60	199.00-199.30	4-7cdis	-0.33	10-7pm	0.17
Italy	2335¼-2346¾	2345-2346	2-1lirepm	0.77	5-3pm	0.68
Norway	11.57-11.62¾	11.60-11.61	1½-1¼orepm	1.36	4¾-4½pm	1.55
France	10.75¾-10.81¾	10.79-10.80	3½-3¼cpm	3.75	10⅞-10⅛pm	3.96
Sweden	10.86¾-10.91	10.88½-10.89½	1⅞-1⅛orepm	1.38	4½-4pm	1.56
Japan	223¾-225¼	224-225	1⅝-1½ypm	7.68	4⅝-4½pm	8.13
Austria	22.41-22.56	22.47-22.50	11¼-10⅛pm	5.67	35¾-33¼pm	6.13
Switzerland	2.77½-2.79½	2.77¾-2.78¾	1⅝-1½cpm	6.47	4⅞-4⅝pm	6.83

Belgian rate is convertible francs. Financial franc 67.25-67.35. Six-month forward dollar 1.73-1.68cpm 12 months 2.41-2.31cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Mar.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6825-1.6935	1.6900-1.6910	0.34-0.31cpm	2.31	1.07-1.02pm	2.47
Ireland†	1.4085-1.4135	1.4100-1.4115	0.29-0.34cdis	-3.09	0.87-0.97dis	-2.61
Canada	1.1925-1.1965	1.1955-1.1965	0.15-0.19cdis	-1.71	0.53-0.59dis	-1.88
Netherlands	2.1290-2.1370	2.1320-2.1330	0.63-0.60cpm	3.46	1.92-1.88pm	3.56
Belgium	39.50-39.70	39.60-39.70	8.00-6.50cpm	2.20	24.00-21.50pm	2.30
Denmark	7.35¾-7.39½	7.36¾-7.37¼	1.40-1.15orepm	2.07	4.15-3.75pm	2.14
W. Germany	1.8865-1.8960	1.8910-1.8920	0.64-0.61pfpm	3.96	1.87-1.83pm	3.91
Portugal	155¾-156¼	156-156¼	25-45cdis	-2.69	105-155dis	-3.34
Spain	117.55-118.00	117.85-117.95	15-18cdis	-1.68	55-60dis	-1.95
Italy	1383½-1389¼	1387¼-1387¾	1.00-1.50liredis	-1.08	5.30-5.80dis	-1.60
Norway	6.85½-6.88	6.86¾-6.86¾	0.40-0.65oredis	-0.92	1.30-1.60dis	-0.84
France	6.37-6.40	6.38¼-6.38¾	0.83-0.78cpm	1.51	2.45-2.35pm	1.50
Sweden	6.43½-6.46	6.44-6.44½	0.40-0.55oredis	-0.88	1.25-1.55dis	-0.87
Japan	132.60-133.30	132.80-132.90	0.58-0.56ypm	5.15	1.91-1.88pm	5.70
Austria	13.28½-13.32¾	13.29¾-13.30¼	4.00-3.60gropm	3.42	12.75-11.50pm	3.64
Switzerland	1.6445-1.6535	1.6450-1.6460	0.59-0.56cpm	4.18	1.82-1.78pm	4.36

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.75-39.85.

EURO-CURRENCY INTEREST RATES

Mar.29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12½-12⅜	12⅝-12½	12⅞-12¾	13⅛-12⅞	13⅛-12⅞	12⅞-12¾
US Dollar	9¾-9⅝	10⅛-10	10⅛-10	10⅜-10⅛	10½-10⅜	11⅛-11
Can. Dollar	11⅝-11⅛	11⅝-11⅛	11⅞-11⅝	12¼-12	12⅝-12⅜	12⅞-12⅝
D. Guilder	6⅛-6¼	6½-6⅜	6⅝-6½	6⅞-6¾	7⅛-6⅞	7⅛-7⅛
Sw. Franc	3¾-3⅝	5⅝-5½	5¾-5⅝	5⅞-5¾	6⅛-6	6⅜-6¼
Deutschmark	5⅛-5	5⅝-5½	6-5⅞	6⅛-6¼	6⅞-6⅝	7-6⅞
Fr. Franc	8½-8⅜	8⅝-8⅜	8⅞-8¾	8⅞-8⅞	9⅛-9	9⅜-9¼
Italian Lire	11-9	10⅛-9¾	11⅝-11⅛	12⅛-11⅞	12⅞-12⅛	13⅛-12⅞
B. Fr. (Fin)	7⅞-7⅞	8-7⅞	8⅛-7⅞	8⅛-8⅛	8⅞-8⅜	8½-8⅜
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; five years [illegible] per cent; [illegible] days' notice.

EXCHANGE CROSS RATES

Mar.29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling higher

SHORT STERLING futures edged higher in the London Liffe market yesterday. However, there appeared to be little to justify the firmer tone, given the rather disappointing trade data for February. The June price closed at 87.14, up from 87.05 at the opening, and compared with 87.09 on Tuesday.

The closing price indicates a premium over the underlying cash rate for six-months money of around one eighth of a point, and many traders expected this premium to be compromised by the trade figures.

Long gilt futures were less impressed by the figures and fell to a low of 97-04 before closing at 97-07, still down from 97-14 at the opening and Tuesday's close of 97-12.

US Treasury bond futures rose in line with a firmer dollar trend at the start of trading, and a fall in oil prices. News of a 0.3 per cent decline in February leading economic indicators was much in line with expectations. The bond price for June delivery moved up from an opening level of 87.24 to close at 87.28, up from 87.14 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
94	318	422	4	14
95	224	332	10	24
96	135	248	21	40
97	57	205	43	61
98	29	133	115	125
99	14	104	200	160
100	7	46	257	238

Estimated volume total, Calls 1670 Puts 771
Previous day's open int. Calls 19554 Puts 15034

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	562	624	6	26
84	478	448	16	50
86	230	321	38	123
88	112	213	120	215
90	27	120	235	322
92	8	45	416	447
94	3	26	611	628

Estimated volume total, Calls 125 Puts 0
Previous day's open int. Calls 2107 Puts 1769

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
00000	—	—
00000	—	—
00000	—	—
00000	—	—
00000	—	—
00000	—	—
00000	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

$1m points of 100%

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls-settlements	Puts
1.650	[illegible]	[illegible]
1.675	[illegible]	[illegible]
1.700	[illegible]	[illegible]
1.725	[illegible]	[illegible]
1.750	[illegible]	[illegible]
1.775	[illegible]	[illegible]
1.800	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM 250,000 100ths of 100% — [illegible]

POUND-$ (FOREIGN EXCHANGE)

	Latest	High	Low	Prev.
Jun	1.6780	1.6802	1.6746	1.6746
Sep	1.6710	1.6710	1.6676	1.6670
Dec	1.6700	1.6700	1.6700	1.6634

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.6131	0.6132	0.6110	0.6110
Sep	0.6197	0.6197	0.6180	0.6177
Dec	-	-	-	0.6246

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Jun	-	-	-	295.30
Sep	-	-	-	299.75
Dec	-	-	-	304.20

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm. Bk. N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Bnkg Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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EUROPEAN OPTIONS EXCHANGE

Series		May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Stock
Gold C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Series		Apr. 89 Vol	Apr. 89 Last	May 89 Vol	May 89 Last	Jun. 89 Vol	Jun. 89 Last	Stock
EOE Index C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Series		Apr. 89 Vol	Apr. 89 Last	Jul. 89 Vol	Jul. 89 Last	Oct. 89 Vol	Oct. 89 Last	Stock
ABN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 35698

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Limited reaction

UK INTEREST rates edged up sligbtly on worse than expected trade figures for February, hut came off the top to finish unchanged on the day. The key three-month rate opened a sixteenth of a point firmer but eased back before the trade figures were announced. After the deficit became knowo, rates moved up to 13⅛-13 per cent but once again drifted back to finish at 13⅛-12⅞ per cent, unchanged from Tuesday. One-year mooey was also unchanged at 12⅞-12¾ per cent.

UK clearing bank base lending rate 13 per cent from November 25

Overnight money opened at 12½-12¼ per cent and touched a high of 12¾ per cent before drifting back to close at 11 per cent.

The Bank of England forecast a surplus of around £300m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance drainiug £338m. These were offset by Exchequer traosactions which added £540m and a fall in the note circulation of £15m. In additioo, banks hrought forward balances £95m above target.

There was oo interveotioo during the morning, but in the afternoon the Bank revised its forecast to a surplus of around £550m. The authorities soaked up the excess liquidity by selling £558m of Treasury bills at 12⅝-12⅞ per ceot, maturing tomorrow.

Short-term interest rates in Frankfurt continued to ease as call money remained in good supply. Banks still hold considerably more reserves with the Bundesbank than the minimum reserve requirement for this month. These non-interest bearing funds continue to be withdrawn and placed in the money market. Call money was quoted at 4.80-4.95 per cent 4.95-5.15 per cent on Tuesday.

In Paris, the Bank of France announced that a total of FFr8.5bn of Treasury bills will be on offer at its next tender on April 3, comprising FFr5bn of 13-week bills and FFr3.5bn of 24-week bills.

In New York the US Federal Reserve added temporary reserves to the banking system througb $1.5bn of customer repurchase agreements. At the time, overnight Fed funds were tradiog at 9¾ per cent, unchanged from Tuesday.

The Belgian central bank was also active adding liquidity to the money market. In Brussels the Bank allocated funds through a 14-day sale and repurchase agreement, at the same time leaving its intervention rate unchanged at 7¾ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.29) 3 months US dollars		6 months US Dollars	
bid 10⅜	offer 10½	bid 10⅝	offer 10¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11½
Broker loan rate	10¾-½
Fed funds	9¾
Fed.funds at intervention	9¾

Treasury Bills and Bonds

One month	9.71	Three year	9.77
Two month	9.16	Four year	9.74
Three month	9.35	Five year	9.64
Six month	9.64	Seven year	9.50
One year	9.71	10-year	9.38
Two year	9.02	30-year	9.10

Mar.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.80-4.95	6.00-6.15	6.10-6.25	6.35-6.55	6.70-6.85	6.00
Paris	8¼-8⅜	0½-8⅝	8⅞-8⅞	8⅞-9	9-9⅛	7.25
Zurich	5⅞-5⅞	5⅞-5⅞	-	5⅞-6	-	-
Amsterdam	6.37-6.50	6.50-6.60	-	6.71-6.81	-	-
Tokyo	4⅞-4⅞	4⅞-4⅞	-	4⅞-4⅞	-	-
Milan	12⅞-13	12⅞-12¾	-	12⅞-13⅛	-	-
Brussels	8.50	7⅞-8	-	8⅞-8⅞	-	-
Dublin	7¾-7½	7¾-8	7⅞-8⅛	8¼-8⅞	8½-8⅞	-

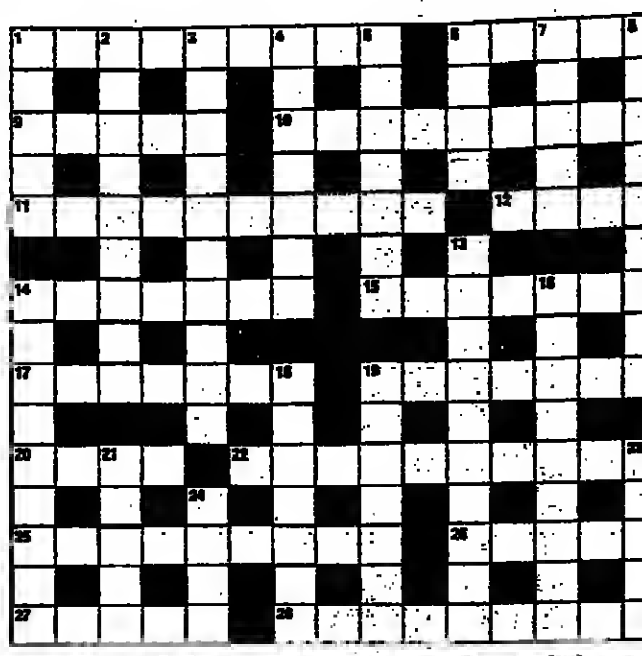
LONDON MONEY RATES

Mar.29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12¾	12¾	12⅞	13⅛	13⅛	13
Interbank Bid	11	12½	12¾	12⅞	13	12⅞
Sterling CDs	-	-	12⅞	13	13	12⅞
Local Authority Deps.	12¼	12½	12⅞	12⅞	12⅞	12¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	12¾	12½	12⅝	12¾	-	-
Company Deposits	-	-	12⅞	13⅛	13⅛	12⅞
Finance House Deposits	-	-	12⅞	13	13	12⅞
Treasury Bills (Buy)	-	-	12⅞	12⅝	-	-
Bank Bills (Buy)	-	-	12⅞	12⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	12⅞	-
Dollar CDs	-	-	10.10	10.30	10.65	11.00
SDR Linked Dep Offer	-	-	8⅞	8⅝	8⅞	9⅛
SDR Linked Dep Bid	-	-	8⅞	8⅜	8⅞	9⅛
ECU Linked Dep Offer	-	-	8½	8¾	9⅛	9⅛
ECU Linked Dep Bid	-	-	8⅝	8⅝	9	9⅛

Treasury Bills (sell); one-month 12½ per cent; three months 12⅞ per cent; Bank Bills (sell): one-month 12⅞ per cent; three months 12⅞ per cent; Treasury Bills: Average tender rate of discount 12.4090 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1989. Agreed rates for period March 26,1989 to April 25, 1989, Scheme I: 13.90 p.c., Schemes II & III: 14.29 p.c. Reference rate for period February 1 to February 28, 1989, Scheme IV&V: 13.041 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from March 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

CROSSWORD

No.6,896 Set by VIXEN



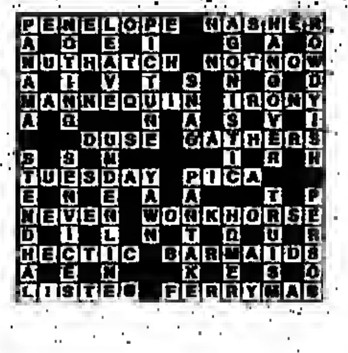
ACROSS

1 Lists must include break for court officials (9)
6 A poet used to carry messages (5)
9 Egghead backing Ireland? That would be strange! (5)
10 Makes a beastly row after mere orderly gets on board again (2-7)
11 Refuse to give credit (10)
12 A little modish edifice – a store (4)
14 A man who wrote letters for the monarch with greater alacrity (7)
15 Doctor taking issue about hustle (7)
17 Feels sorry for soldiers – gets filled in by raw beginner (7)
19 Parking inside to remove exhaust (7)
20 Mean to approach (4)
22 The guy responsible for the grind! (10)
25 Complaining of incorrect alignment (9)
26 The best one to make business arrangements (5)
27 Spoke angrily to a Greek character turning in the road (5)
28 Sort of vibration effects seen on car (9)

DOWN

1 Stuff from the river (5)
2 Dying of hypothermia? (9)
3 Tale spun in an old Egyptian place by popular musicians (3,7)
4 Mathematician upset about trendy clergyman (7)
5 Puts off quiet little people (7)
6 Drinks-dispenser in the bed-and-breakfast hotel (4)
7 A market town making progress (5)
8 House in ruins – dire scene! (9)
13 "There is no excellent beauty that hath not some strangeness in the ——" Bacon (Essays) (10)
14 Unknown person grabbing cash. He's a killer (9)
16 Daphne, Heather, Olive, all appear gullible always (9)
18 Brighter, so showing a bit of leg – that's right! (7)
19 Yank beset by uppity children when there's heavy rain (7)
21 Let in, or maybe let out (5)
23 Sound instrument – that's material (5)
24 Aim to include a single woman (4)

Solution to Puzzle No.6,895



WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

CANADA

TORONTO
2pm prices March 29

INDICES

NEW YORK DOW JONES

	Mar 28	Mar 27	Mar 23	Mar 22	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2275.54	2257.86	2243.04	2263.21	2347.14 (7/2)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.43	87.48	87.35	87.42	89.62 (5/2)	87.35 (23/3)	–	–
Transport	1032.18	1011.80	1008.09	1024.74	1087.97 (7/2)	959.95 (3/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.91	182.43	182.14	182.37	191.15 (24/1)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2287.86 (2264.29) Low 2258.93 (2234.46)

STANDARD AND POOR'S	Mar 28	Mar 27	Mar 23	Mar 22	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	292.59	290.58	288.98	290.49	299.63 (7/2)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	336.02	334.73	332.79	334.54	346.41 (7/2)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	27.12	27.11	26.94	27.07	27.49 (16/3)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	163.88	163.32	162.64	163.41	168.10 (16/3)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	325.45	325.50	324.87	325.88	332.52 (16/3)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	402.60	400.56	400.94	400.57	409.51 (16/3)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar 17	Mar 10	Mar 3	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.70	3.70	3.35
	Mar 15	Mar 8	Mar 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.16	3.23	2.94
S & P Indl. P/E ratio	13.17	13.04	12.68	15.35

TRADING ACTIVITY †Volume

Millions	Mar 28	Mar 27	Mar 23
New York	146,420	112,960	153,750
Amex	9,225	8,644	9,658
OTC	112,553	98,040	149,178

NEW YORK	Mar 28	Mar 27	Mar 23
Issues Traded	1,926	1,938	1,938
Rises	820	773	565
Falls	577	628	835
Unchanged	529	537	538
New Highs	35	16	25
New Lows	24	42	39

CANADA

TORONTO	Mar 28	Mar 27	Mar 23	Mar 22	1989 High	1989 Low
Metals & Minerals	3261.1	3249.2	3241.4	3267.9	3564.9 (6/2)	3207.5 (3/1)
Composite	3560.8	3555.9	3546.9	3558.1	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1764.09	1759.22	1752.60	1765.22	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Texaco	4,213,800	53⅞	+ ⅛
Pan Am cp	2,795,600	4⅝	+ ⅜
NWA	2,097,900	70¾	+ 9¾
Commonw'th Ed	1,711,900	32⅞	– ⅛
Ashmoor	1,704,600	35½	+ 1⅛
AT&T	1,589,200	31⅛	
Baker Intl	1,542,100	17⅛	+ ⅛
Gen Elec	1,279,800	44⅛	+ ⅛
IBM	1,247,400	110	– ⅛
South East Bank	1,139,800	23½	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar. 29	Mar. 28	Mar. 23	Mar 22	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1479.7	1486.7	1486.0	1488.7	1551.7 (31/1)	1448.1 (17/2)
All Mining (1/1/80)	688.7	694.6	695.8	694.2	727.0 (26/1)	654.6 (16/2)
AUSTRIA						
Credit Aktien (30/12/84)	277.83	277.96	275.32	274.52	277.96 (28/3)	249.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	5673.05	5656.02	5665.52	5665.59	5834.01 (10/2)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	290.39	288.24	(c)	(u)	291.83 (10/2)	275.49 (27/2)
FINLAND						
Unitas General (1975)	781.4	779.8	(c)	779.0	791.7 (14/3)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	445.3	442.9	441.2	442.4	457.3 (6/2)	417.9 (4/1)
Ind. Tendance (30/12/88)	104.6	104.2	103.3	103.4	108.1 (3/2)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	550.29	549.14	548.77	550.68	569.27 (8/2)	538.78 (27/2)
Commerzbank (1/12/53)	1636.3	1633.1	1632.5	1638.4	1705.6 (5/1)	1595.7 (27/2)
DAX (30/12/87)	1309.26	1306.47	1306.77	1303.67	1371.10 (5/1)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3032.98	3033.03	3049.62	3057.05	3209.96 (9/2)	2706.69 (3/1)
ITALY ‡						
Banca Com. Ital. (1972)	608.76	605.6	600.14	598.64	615.89 (17/1)	577.49 (28/2)
JAPAN **						
Nikkei (16/5/49)	32737.28	32306.36	31588.66	31443.2	32737.28 (29/3)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2447.59	2422.46	2380.17	2370.06	2490.07 (8/2)	2366.91 (6/1)
NETHERLANDS						
CBS Tll.Rtn.Gen (End 1983)	227.7	227.9	(u)	226.1	229.5 (16/3)	208.3 (3/1)
CBS All Shr (End 1983)	182.2	182.3	(u)	180.9	183.6 (16/3)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	596.22	593.56	(c)	588.41	596.22 (29/3)	467.17 (2/1)
SINGAPORE ♦						
Straits Times Ind. (30/12/66)	1194.63	1188.50	1180.73	1183.94	1194.63 (29/3)	1050.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1592.0¢	1629.0	1639.8	1635.0	1639.0 (23/3)	1291.8 (15/2)
JSE Industrial (28/9/78)	2404.0¢	2421.0	2419.0	2425.0	2456.0 (20/3)	1961.0 (3/1)
SPAIN ♦						
Madrid SE (30/12/85)	280.25	279.40	(c)	278.03	283.93 (17/1)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3884.6	3872.3	3839.6	(u)	3889.9 (14/3)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	658.5	654.9	653.3	653.1	658.5 (29/3)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	497.5	491.2	490.8	519.0 (17/2)	491.2 (20/3)

** March 24: Japan Nikkei: 31,568.52, March 27: 31512.40. Tokyo SE: 2373.00, March 27: 2364.33.
‡ March 24: Italy Banca Com: 600.94.
♦ March 27: Singapore Straits Times Ind.: 1183.90; Spain Madrid SE 278.46
¢ Subject to official recalculation.
Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 29 March 1989

	Stocks Traded	Closing Prices	Change on day
Kumagai	98.2m	1,880	+80
Taisei	87.1m	1,870	+50
Asahi Chemical	39.8m	1,350	+60
Mitsui Eng & Ship	37.9m	898	+3
Fujita	31.1m	2,220	+40
Nisshin Steel	30.8m	1,400	+100
Mitsui Toatsu	29.8m	1,040	+60
Sanyo Electric	29.2m	935	+5
Shimizu	28.3m	2,400	+30
Kawasaki Kisen	27.3m	777	-8

3pm prices March 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		-A-A-A-								
29	51⅛	AAR	.44	1.6	18	182	28¾	28⅛	28¾	+ ½
19⅛	8¾	ACM s	1.01	12.		87	9⅛	8½	8½	- ⅛
11⅞	19¾	ACMIn	1.26a	12.		330	10⅝	19½	10⅛	+ ⅛
10⅛	6½	ACM M	n1.01	11.		265	9	6⅞	8	
11¾	19¾	ACM Sc	1.26	12.		1109	19½	10⅛	10⅛	
10⅛	8½	ACMSp	n.85e	8.6		221	8⅞	8⅝	8⅝	
5¾	2⅛	AMCA	.12e	3.2		563	6⅛	6⅞	3¾	
6⅛	3⅛	AM Intl				610	6⅛	6½	5⅛	+ ⅛
23⅛	10¼	AM Int pf	2	6.9		15	22¾	22⅝	22¾	
62¼	39	ANR			7	4098	59	50¾	60½	+ ½
9½	4⅞	ARX				75	8	4⅞	4⅞	- ⅛
47	35¼	ASA	3a	7.3		295	41⅛	41¾	41¾	- ⅝
29¼	14⅛	AVX	.24	1.4	8	10	17½	17⅛	17⅛	- ⅛
34	42⅞	AbtLab	1.40	2.0	16	2015	u54¾	53⅛	33⅞	+ ⅛
10¾	15⅛	AbtIDt g	1			8	10⅝	10¾	10¾	- ⅛
13⅞	7½	AcmeC	.40	4.0		42	10¼	10	10⅛	
7⅝	5⅞	AcmeE	.32	4.6	25	22	7	7	7	- ⅛
33⅛	29¼	Acusn			24	227	30⅛	30	29⅛	+ ⅛
16⅞	14¾	AdaEx	1.82e	13.		102	14½	14⅛	14¾	- ⅛
10⅞	7⅛	AMD			16	2181	8½	8¼	8⅛	
43½	28¾	AMD pf	3	9.3		14	23¼	23⅛	32⅛	
8⅛	6½	Adobe				80	7½	7⅜	7⅝	- ⅛
10¼	16½	Adob pf	1.84	11.		1	17⅛	17⅛	17⅝	
9¼	3⅞	Advest	.16	1.7	15	284	7¼	7⅛	7¼	- ⅛
52½	39½	AetnLf	2.76	5.5	9	1240	50⅜	50	52	- ⅛
44½	24	AhPb s	.22	.5		561	43	42¼	42⅞	+ ⅝
18¼	13¼	Ahmans	.88	5.3	33	3261	17	16⅝	16¼	+ ⅛
4⅛	2⅛	Aileen			19	6	2½	3⅛	3½	+ ⅛

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices March 29

OVER-THE-COUNTER

Nasdaq national market, 3pm prices March 29

AMERICA

Dow dips as dollar slips off high

Wall Street

AFTER an initial burst of buying, as the dollar attempted to rally in the face of another round of central bank intervention, equities settled back into a narrow range in subdued trading yesterday, *writes Janet Bush in New York.*

Equity traders continued to track movements in the dollar, and stocks started pulling back from early highs as the US currency slipped from its peaks.

At 1 pm, the Dow was quoted 1.53 points lower at 2,274.01 on only moderate volume of 84m shares.

The mood was cautious after a two-day gain of 32.50 points achieved in rather anaemic volume. Those rises had been encouraged by a very strong performance by the dollar and yesterday's slight vulnerability in the US currency, after two successive days of concerted intervention, limited the early rally in equities.

At midsession, the dollar was quoted at Y132.90 compared with its earlier high of Y133.45 and at DM1.8930 from DM1.8965 earlier.

There were two economic releases. Leading indicators fell 0.3 per cent in February, in line with forecasts.

Sales of new single family homes fell 9.4 per cent in February to a seasonally adjusted annual rate of 626,000, the lowest annual rate since January 1988. This was a larger fall than had been expected, but had little impact.

Progress from current levels is likely to be difficult. One reason is that attractive yields are available in the bond market. Demand at Tuesday's auction of two-year notes was very etrong because the notes offered a yield of nearly 10 per cent.

Another reason is that the rally this week has not been particularly convincing. Volume has been low and price gains have been very narrowly concentrated. According to figures provided by Shearson Lehman Hutton, only five stocks accounted for 12 points of Tuesday's 17.68 point rise.

The Dow Jones Transportation Average rose a substantial 20.38 points on Tuesday, its largest gain in more than four months. Of its 20 component issues, eight – all airline issues – were up, nine were lower and three were unchanged.

NWA, the holding company for Northwest Airlines, which received an unsolicited takeover offer and sparked substantial gains in other airline stocks, fell \$2¼ to \$68¼, having jumped \$9¾ on Tuesday.

Among other featured stocks was Unisys, which rose \$¼ to \$25¾. The company announced that it expected to report a loss of between \$60m and \$80m for the first quarter and a return to a more normal profit level in the second quarter.

Sun Electric added \$1¾ to \$19¼. The company said that it had been contacted by a number of potential bidders and had asked Salomon Brothers to set up talks with them.

Nashua Corp rose \$1¾ to \$38¾ in heavy volume, apparently triggered by rumours of a possible takeover of the company. The company declined to comment on the speculation.

In over-the-counter trading, Stuarts Department Stores dropped \$1 to \$3⅞ after the company said that it had ended takeover talks with a group of senior managers headed by its chief executive.

Oracle Systems gained \$1¾ to \$24 as investors continued to react to the company's report of third quarter net income of 36 cents a share – higher than analysts had expected.

Canada

A MIXED performance in Toronto followed a decline in the bullion price.

The composite index lost 1.86 to 3,558.94 as declines outnumbered advances by 252 to 199 on thin turnover of 11.6m shares.

Echo Bay lost C\$¼ to C\$18¼ and Lac Minerals fell C\$¼ to C\$12¼.

Core-Mark rose 20 cents to C\$4.90. It said it would be in a position to amend the terms of a trust indenture, creating debentures tomorrow.

ASIA PACIFIC

Energetic buying keeps rally going

Tokyo

INVESTORS were encouraged by the equity market's triumphant comeback on Tuesday, and continued to buy on a broad front. The Nikkei average climbed more than 400 points to a record high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei rose steadily throughout the day to finish at 32,737.28, a gain of 430.92 points, building on Tuesday's 794-point surge. The index had hit a high of 32,738.06 and a low of 32,317.54. Winners led losers by 668 to 235, with 128 issues unchanged.

Volume at 1.39bn shares was up from Tuesday's 1.19bn. The Topix index of all listed shares rose 25.13 to 2,447.59 and in London the ISE/Nikkei 50 index picked up 2.23 to 1,984.29.

Although most analysts welcomed yesterday's rise as a continuation of Tuesday's strong gains, some were clearly taken aback by the enormous surge of energy. "We are still recovering from the surprise of (Tuesday)," one analyst said.

The introduction of the new capital gains tax gave individual investors, in particular, a greater incentive to step up their activity. Under the previous system, capital gains were taxed only when transactions surpassed a certain number of deals with a given trade value each year, but the new tax applies to all transactions. The new system, therefore, is widely expected to increase the frequency of transactions by individual investors.

While the bulk of the buying came from individual investors and newly launched investment trust funds, institutions were also seen to be taking part in the activity, albeit somewhat cautiously.

"Institutions don't want to miss the bus either," said Mr Hiroshi Taguchi at Nomura Securities.

Nevertheless, institutional investors are still wary of jumping into the market as inflationary and political fears at home have far from disappeared. The arrest of a former education vice minister on Tuesday in connection with the Recruit share sale scandal increased expectations that the affair was likely to claim more victims in political circles.

Meanwhile, lower oil prices helped allay inflationary concerns, and more optimistic market participants were predicting that the dollar's rise against the yen would soon peak.

The recent recovery of the bond market also indicated to some analysts that the worst of inflationary fears were over.

Construction stocks once again seized centre stage amid broad-based buying, with four issues in the list of the top 10 active stocks. Attention focused on Kumagai, which topped the actives list with 68.2m shares traded and rose Y80 to Y1,980. Taisei followed with 67.1m shares and also gained Y80 to Y1,970. Fujita advanced Y40 to Y2,220 and Shimizu gained Y30 to Y2,400, both in heavy trading.

Chemical companies were actively sought as laggards and as beneficiaries of increased public investment. Asahi Chemical, third on the volumes list with 39.8m shares, rose Y60 to Y1,350. Mitsui Toatsu, a compreheneive chemical maker, advanced Y66 to Y1,040 in heavy trading.

Chemical companies were said to be targeted by a top securities firm as the next market leaders after constructions. They are expected to see an increase in sales and profits, as demand for chemicals increases and supplies become tighter.

Individually, Nisshin Steel surged Y109 to Y1,400 in heavy volume. The company is expected to report record profits and was also selected as an issue that moved rapidly.

The market in Osaka showed even more strength than Tokyo with the OSE average surging 653.88 points to 30,845.94. Volume also gained to 180m shares against 148m on Tuesday. Kumagai added Y130 to Y1,980 while Taisei rose Y90 to Y1,960.

Roundup

ONLY Singapore of the Asia Pacific markets appeared to benefit from the rally on Wall Street on Tuesday and yesterday's sharp gains in Tokyo. Australia and Hong Kong were dull performers.

SINGAPORE trading was punctuated by both profit-taking and bargain-hunting, ending higher on slightly reduced turnover. Tokyo's second daily surge was a source of inspiration and the Straits Times industrial index added 6.13 to 1,194.63. Volumes eased to 94.6m shares from 116.4m on Tuesday.

United Engineers reported improved results and saw its preference shares rise 70 cents to S\$1.75 while its ordinary shares climbed 2 cents to S\$1.74.

AUSTRALIA again suffered very thin trading, with the All Ordinaries index easing 7 points to 1,479.7 as 79m shares worth A\$119m changed hands, much of it options-related.

The main losses were in golds, following a sharp fall in the bullion price overnight. Niugini Mining, in which Battle Mountain Gold of Texas is taking a 32 per cent stake, fell 24 cents to A\$3.96. Placer Pacific was off 5 cents at A\$2.50 and Forsayth fell 8 cents to A\$2.

Industrials were dull, with BHP falling 12 cents to A\$7.86 on options-related selling before its quarterly results tomorrow. National Australia Bank lost 8 cents to A\$6.32 on mainly overseas selling. Against the trend, News Corp added 10 cents to A\$11.95 and TNT 1 cent to A\$3.16.

HONG KONG ended almost unchanged, with recent corporate results underpinning blue chips, but little buying or selling pressure to move the market. The Hang Seng index ended 0.05 easier at 3,032.98 in subdued trading worth HK\$878m, compared with Tuesday's HK\$915m.

Cheung Kong was steady at HK\$10.10 in the day's most active trading. Swire "A" shares outperformed with a 40-cent rise to HK\$21.30, while Hongkong Land was off 10 cents at HK\$10.80.

SEOUL moved higher in active trading, but profit-taking by institutional investors knocked the market off the day's peaks. The composite index closed 6.68 up at 985.21.

SOUTH AFRICA

A SHARP fall in the bullion price sent Johannesburg gold shares lower in nervous trading. A weaker financial rand, however, helped to limit the market's losses. Vaal Reefs declined R4 to R346 and Deelkraal 90 cents to R13.80.

EUROPE

Sectors sparkle in limited turnover

CORPORATE results and interest in specific sectors helped to enliven trading in Italy, Spain, the Netherlands and France, *writes Our Markets Staff.*

MILAN began strongly, taking its cue from overnight gains in New York and Tokyo, but shares came off highs in later profit-taking. The Comit index ended 3.16 up at 608.76 in moderate trading volume estimated at L150bn-L170bn.

In the banking sector, BNA was suspended amid confusion about what was going on in tha stock following Credito Italiano's announcement last week that it held 7.9 per cent of BNA and 20.8 per cent of its parent Bonifiche Siele. There were signs that a struggle was emerging over BNA, with Count Giovanni Auletta Armenise, the majority holder in Bonifiche Siele and a substantial minority holder in BNA, signalling he was not prepared to succumb to Credito Italiano's advances.

Publishing group Editoriale said after the market closed that it had bought a 10 per cent stake in Bonifiche Siele in agreement with Comt Auletta. Credito Italiano shares eased L19 to L2,080, slipping to L2,040 after hours. Bonifiche Siele tumbled L6,050, or 12 per cent, to L44,600.

Marzotto, the textile and clothing company, rose L175 to L7,195 after its 46 per cent increase in 1988 profits.

MADRID came alive as investors stepped up their buying sending the general index 0.85 higher to 280.25. Volumes were thought to be much better than Tuesday's \$55.3m.

Construction and cement stocks were much in demand, and Asland rose another 43 points to 1,276 of par.

AMSTERDAM eased back from early highs to end steady, with the CBS tendency index unchanged at 171.3 in moderate trading worth Fl 502m. The market continued to be held back by concern that interest rates might have to rise again, although the firmer dollar helped to support shares.

Royal Dutch was the most active stock, easing 40 cents to Fl 132, followed by steel group Hoogovens, which fell Fl 1.20 to Fl 87.20 in nervous anticipation of its results after the close. Its profit of Fl 301m, compared with a loss in 1987 of Fl 76m, turned out to be far better than expectations and the company's optimism about 1989 could give the whole market a boost, commented one broker.

Machine tool manufacturer VMF Stork added 90 cents to Fl 31.10 on a handful of buying orders in thin volume.

PARIS saw the release of a crop of corporate results and firmed in continued thin volumes. The CAC 40 index rose 8.52 to 1,643.90 and the OMF 50 index climbed 2.19 to 464.27.

Elf Aquitaine reported a 76 per cent jump in earnings and a FFr3bn rights issue and rose 10 centimes to FFr454. The capital raising programme would help fund its FFr6bn-7bn agreed takeover of Pennwalt of the US, one analyst said.

Food group BSN, announcing profits up 41 per cent, put on FFr4 to FFr683 with about 70,000 shares traded. Lafarge Coppée climbad FFr3 to FFr1,485 on news of its 23 per cent higher earnings. The results were all largely in line with expectations.

St Gobain held a news conference on its earnings outlook – having already released results – and won FFr10 to FFr579.

ZURICH kept climbing as chemicals remained strong, with domestic investors still taking the lead. The Crédit Suisse index rose 2.2 to 559.6.

Brown Boveri saw soma speculation before the release of its results with Asea Brown Boveri, due this week. Its bearers rose SFr75 to SFr3,195 amid rumours it might seek a listing in the US.

The weakness of the Swiss franc was proving a mixed blessing for the market, said one analyst. "It's good for the internationals who have earnings abroad, but floppiness in the currency is making the risk of higher inflation greater, and reducing the hope for lower interest rates."

FRANKFURT had another very thin day, with only DM1.92bn worth of German shares traded. Investors were waiting for the February US leading indicators, which came out after the market closed and were broadly in line with expectations, having little impact on late trading. The weekend meetings of the Group of Seven industrial nations, the IMF and the World Bank, also kept investors cautious.

The FAZ index rose 1.15 to 550.29 and the DAX was 2.79 higher at 1,309.26.

Metale and commodities group Preussag was a strong performer, rising DM9 to DM248.50 after a bullish report on zinc from HWWA, the Hamburg metals institute.

VW was the most actively traded stock, rising DM3.20 to DM344.70. The share is seen as cheap within the German motor sector, especially given its good figures this year, said one analyst. BMW rose DM3 to DM509, apparently helped by its agreement with the IG Metall union on rights for employees in South Africa.

STOCKHOLM livened up after a quiet morning, with turnover boosted by sizeable deals in Modo and Atlas. The Affärsvärlden index rose 5.3 to 1,129.4.

Aga's restricted A shares gave up SKr8 to SKr285 after the company said its assets were worth SKr4bn, below expectations.

BRUSSELS was dominated by trading in Arbed, the steel maker, as investors bought in anticipation of good results next week. The cash market index climbed 17.01 to 5,673.03.

Arbed rose BFr160, or 2.8 per cent, to BFr5,750 on turnover of 13,300 shares.

World indices: constituent changes

AT THE quarter-end review of the FT-Actuaries World Index, it was decided to make the following constituent changes with effect from April 3, 1989:

Deletions: Potagua (Denmark); Industriekreditbank, sar Amperwerke and Kraftuber Rheim (all Germany); Imperial Hotel and Nagasakiya (both Japan); Kempen (Netherlands); Hambros N/V (UK); Coleco Inds., Maxicare Health and TIE/Communications (all USA).

Additions: Carena Bancorp Holdings, FPI Ltd. and TCC Beverages (all Canada); Baltica Hldg. to replace Baltica EM (Denmark); Linotype (Germany); Dairy Farm Intl., Dickson Concepts, Johnson Electric and Lane Crawford Hldgs. (all Hong Kong); Ryobi (Japan); Frans Maas Beneer, Stad Rotterdam, Volker Stevin and Volmac Computer (all Netherlands); Singapore Press non-residents quote to replace Singapore Presa residents (Singapore); Iceland Frozen Foods, NFC and Ratners (all UK); Compaq Computer Corp. and US West (both USA).

Classification changes to existing constituents: CAE Inds. Inc to Electronics; Hollinger to Publishing-Newspapers; Imasco to Tobacco Manufacturers; Oshawa Gronp and Provigo to Retail-Grocery Chains (all Canada); Aarhus Oliefabrik and Danisco to Food Processors; East Asiatic Co. to Diversified Industrial (Manufacturing); Nordisk Kabel to Electrical Equipment and FLS Inds. to Machinery-Construction (all Denmark); Nokia to Electronics and Partek to Building Materials (both Finland); Colonia Versich., Koln Ruckversich., Mannheimer Versich., MünchenerRuckvers., Victoria Lebensversich. and Wurtemberg Feuervers. to Insurance-Multiline (all Germany); Mitsubishi Petrochemicals and Mitsui Petrochemicals to Chemicals (Diversified) and NGK Insulators to Diversified Industrial (Manufacturing) (all Japan); Sime Darby to Diversified Holding Companies (Malaysia); Elkem to Non-ferrous Metals (Norway); Overseas Union Enterprise Ltd. to Restaurants and Hotels (Singapore); Electrowatt to Electric Utilities; Fischer (Georg) to Machinery-Diversified and Zurich Versich to Insurance-Multiline (all Switzerland); Ashley (Laura) to Retail Miscellaneous/Specialty, Brammer to Engineering Sarvices, Evered Hldgs. to Building Materials, Fisher (A.) to Wholesale-Nondurables, GEC to Electronics, Hogg Robinson to Diversified Consumer Goods/Services, Low & Bonar to Paper and Paper Products, MAI to Financial Services, MB Group to Containers, Norcros to Building Materials, Pearson to Publishing, Portals Hldgs. to Machinery-Industrial/Specialty, Rank Organisation to Diversified Industrial (Manufacturing), Reed Intl. to Publishing, STC to Electronics and Sturge to Financial Services (all UK); and Rohr Industries to Aerospace/Defence (US).

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 28 1989					MONDAY MARCH 27 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	137.60	-0.4	120.82	111.63	4.95	138.13	119.83	111.54	157.12	91.16	113.49
Austria (18)	107.90	+0.0	94.74	105.59	2.38	107.94	93.64	104.67	107.94	83.72	91.07
Belgium (63)	128.52	-0.8	112.85	125.67	4.13	129.49	112.34	125.90	139.89	99.14	134.36
Canada (125)	133.28	+0.0	117.03	115.24	3.32	133.29	115.63	115.09	137.27	107.06	121.59
Denmark (39)	167.01	-0.7	146.64	167.92	1.88	168.19	145.91	166.88	180.38	111.42	118.88
Finland (26)	145.20	+0.5	127.49	129.29	1.42	144.41	125.27	129.10	147.07	106.78	124.33
France (130)	114.75	+0.1	100.75	115.20	2.85	114.59	99.41	114.44	119.98	72.77	82.89
West Germany (102)	81.77	-0.9	71.80	80.58	2.35	82.52	71.59	80.80	90.40	67.78	77.93
Hong Kong (44)	128.64	-0.6	112.95	128.60	3.81	129.43	112.29	129.45	133.77	84.90	98.57
Ireland (17)	140.22	-0.6	123.12	139.98	3.64	141.09	122.40	140.13	146.46	104.60	121.14
Italy (98)	80.89	+0.3	71.03	83.85	2.42	80.62	69.94	83.18	86.88	62.99	77.32
Japan (456)	184.38	+2.3	161.89	155.07	0.49	180.30	156.41	151.18	200.11	133.61	170.08
Malaysia (36)	161.66	-0.1	141.95	171.84	2.71	161.88	140.44	171.11	161.88	107.83	118.05
Mexico (13)	165.87	-0.9	145.64	433.97	1.18	167.32	145.16	435.58	182.24	90.07	142.67
Netherland (39)	115.50	-0.7	101.42	112.68	4.48	116.37	100.95	111.75	117.71	95.23	107.94
New Zealand (24)	70.49	-0.5	61.89	60.68	6.49	70.87	61.48	60.90	84.05	63.32	75.90
Norway (26)	172.26	+1.3	151.26	159.99	1.80	170.09	147.55	157.74	174.29	98.55	122.24
Singapore (26)	147.50	-0.1	129.51	132.65	2.05	147.64	128.08	132.40	147.64	97.32	107.97
South Africa (60)	142.88	+1.0	125.45	128.15	3.94	141.41	122.67	127.46	142.88	98.26	137.39
Spain (42)	146.96	+0.3	129.04	130.76	3.70	146.56	127.14	130.23	164.47	130.73	149.44
Sweden (35)	155.73	-0.8	136.74	148.82	2.30	157.03	136.23	148.14	158.38	96.92	116.22
Switzerland (57)	74.05	-0.3	65.02	75.94	2.40	74.28	64.44	75.61	86.75	74.05	81.51
United Kingdom (314)	145.96	-0.6	128.16	128.16	4.36	146.83	127.38	127.38	153.33	120.66	136.64
USA (568)	118.72	+0.6	104.24	118.72	3.71	118.05	102.41	118.05	121.90	99.19	106.35
Europe (1006)	116.91	-0.4	102.65	109.45	3.56	117.43	101.87	108.93	120.88	97.01	107.88
Nordic (126)	147.86	-0.4	129.83	146.74	2.01	148.50	128.83	145.90	149.38	95.22	109.60
Pacific Basin (675)	180.10	+2.1	158.13	151.94	0.71	176.37	153.01	148.36	194.72	130.81	165.05
Euro-Pacific (1681)	154.84	+1.3	135.95	134.98	1.58	152.83	132.58	132.59	164.22	120.36	142.19
North America (693)	119.49	+0.5	104.92	118.53	3.69	118.86	103.11	117.90	122.71	99.78	107.16
Europe Ex. UK (692)	98.94	-0.3	86.87	97.85	2.89	99.26	86.11	97.49	103.11	80.28	90.03
Pacific Ex. Japan (219)	128.76	-0.4	113.05	112.63	4.40	129.33	112.19	112.81	137.65	87.51	104.37
World Ex. US (1879)	153.97	+1.3	135.19	134.38	1.65	152.04	131.90	132.08	162.77	120.26	141.44
World Ex. UK (2133)	139.75	+1.2	122.71	129.16	2.07	138.06	119.77	127.30	146.04	111.77	127.04
World Ex. So. Af. (2387)	140.28	+1.1	123.17	129.07	2.27	138.82	120.43	127.31	146.65	113.26	127.82
World Ex. Japan (1991)	119.19	+0.1	104.65	115.55	3.67	119.03	103.26	114.99	122.37	100.00	107.64
The World Index (2447)	140.29	+1.1	123.18	129.06	2.28	138.83	120.44	127.30	146.51	113.37	127.89

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

US Index based on 3pm (local time) prices.
Latest prices were unavailable for this edition.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE: February 1989	% Change on Jan (Dollar terms)	% Change on Dec 31 '87 (Dollar terms)	February 1989	% Change on Jan (Local currency terms)	% Change on Dec 31 '87 (Local currency terms)	TOTAL RETURN: February 1989	% Change on Jan (Dollar terms)	% Change on Dec 31 '87 (Dollar terms)
Latin America	(158)	158.0	16.5	83.0	–	–	–	209.7	17.0	103.0
Argentina	(24)	139.1	-12.6	1.9	21,426.2	41.3	708.9	164.5	-12.6	16.0
Brazil	(58)	100.7	41.0	122.9	30,493.5	41.0	3,000.3	140.0	42.2	155.5
Chila	(25)	507.4	9.1	35.6	962.1	9.3	43.2	778.3	9.1	53.7
Mexico	(53)	330.0	-4.6	88.6	4,005.8	-2.6	101.2	426.0	-4.6	97.4
Asia	(204)	346.5	7.1	110.2	–	–	–	426.2	7.5	120.2
Korea	(61)	484.4	2.6	97.3	394.2	1.5	67.1	787.0	3.2	118.1
Malaysia	(62)	117.5	-0.5	31.7	132.4	-0.2	44.8	136.6	-0.5	39.4
Taiwan	(62)	917.4	12.0	170.7	644.9	12.4	163.6	1,002.6	12.4	174.9
Thailand	(19)	241.9	-0.2	45.0	225.4	-0.5	45.6	402.9	-0.0	59.1

Source: International Finance Corporation. Base date: Dec 31,1984.